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Abstract

This report describes tax revenues in fiscal year 1967 and tax legislation enacted during the calendar year 1967, for all 50 States. The amount and percent of the total for major sources of tax revenue during fiscal 1967 are listed by State as are the amount per capita and percent change in the States' total tax revenues from 1966 to 1967. Major tax legislation, tax rates, and general provisions are listed, by State, for the following tax revenue categories: (1) Sales, (2) tobacco, (3) alcoholic beverages, (4) gasoline, and (5) individual and corporate income. Summary tables rank each State on the basis of population; total personal income; total State tax revenue; tax revenue as a percent of personal income; and general revenue, property tax revenue, and expenditure for education, per $1,000 of personal income. Related documents are EA 002 647 and EA 002 648. (JH)

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STATE TAXES IN 1967*

The pressure for additional state tax revenue forced the consideration of tax legislation in nearly all of the 47 state legislatures which met in 1967.[1/] Legislators considered questions such as whether a broad-based tax such as an income or sales tax should be used, which taxes should be included in the state-local tax systems, and how the regressive nature of the sales and property taxes could be lessened.

Seven new income and general sales taxes were enacted in four states, as well as 49 rate increases in state sales, income, and selected excise taxes (alcoholic beverages, cigarette, and motor fuel) in 25 other states. Minnesota and Nebraska adopted new general sales taxes; Michigan and Nebraska levied new personal income and corporate income taxes; and West Virginia enacted a new corporate income tax. The adoption of new taxes and the enactment of changed tax rates were directed not only at increased revenue but also at changing the burden of taxes among taxpayers and among income groups.

Fiscal 1967,[2/] tax collections increased at a slower rate than in the record year 1966. Total state tax collections rose $2.5 billion from $29.4 billion in 1966 to $31.9 billion in 1967, an increase of 8.6 percent. In contrast, the increase in tax collections from 1965 to 1966 was $3.3 billion, or 12.5 percent, more than $1 billion higher than any in recent tax history. This may also be compared with a slower rate of increase in the Gross National Product which rose 6.7 percent from the previous fiscal 1966 high of $715.3 billion to $763.1 billion in 1967 in contrast to an increase of 9.5 percent between 1965 and 1966 fiscal years. Total revenues from state taxes have more than doubled since 1959 when they produced $15.8 billion (Table 1).

The slower growth rate in tax collections and in state general revenue (which had increased 11.4 percent in 1967, but 14.2 percent in 1966), together with an expansion in government services, contributed

1/ The state legislatures in Kentucky and Virginia did not meet. Mississippi held only a special legislative session.

2/ Fiscal year data are for the state fiscal years ended June 30, 1967, except for three states with other closing dates (Alabama, September 30; New York, March 31; Texas, August 31).

TABLE 1.--STATE TAX REVENUE: 1957-1967[a/]

Fiscal year	Total amount (millions)	Amount of increase over previous year (in millions)	Per-capita amount	Amount per $1,000 of personal income
1	2	3	4	5
1957	$14,531	$1,156	$ 85.72	$41.92
1958	14,919	388	86.50	41.98
1959	15,848	929	90.18	41.95
1960	18,036	2,188	100.64	45.46
1961	19,057	1,021	104.60	46.19
1962	20,561	1,504	112.81	49.83
1963	22,117	1,556	117.76	50.56
1964	24,243	2,126	127.24	52.82
1965	26,127	1,884	135.36	53.52
1966	29,388	3,261	150.60	55.52
1967[b/]	31,910	2,522	161.92[c/]	55.30

Sources:

U.S. Department of Commerce, Bureau of the Census. Historical Summary of Governmental Finances in the United States. Vol. IV, No. 3. Washington, D.C.: Government Printing Office, 1959. p. 20; State Tax Collections in 1967. Series GF-No. 16. Washington, D.C.: the Bureau, November 1967, p. 5; State Government Finances in 1966. Series GF-No. 11. Washington, D.C.: Government Printing Office, 1967. p. 18; and Governmental Finances in 1961. Series GF-No. 2. Washington, D.C.: the Bureau, October 26, 1962. p. 20; Governmental Finances in 1965-66. Series GF-No. 13. Washington, D.C.: Government Printing Office, 1967. p. 20.

U.S. Department of Commerce, Office of Business Economics. Survey of Current Business 47: 8; August 1967.

a/ Amounts for the fiscal years 1957 through 1958 are 48-state totals; for 1959, 49-state totals; and for subsequent years, 50-state totals.

b/ Preliminary.

c/ Based on estimates of population as of July 1, 1967.

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TABLE 2.--STATE TAX COLLECTIONS, BY TYPE OF TAX

Source	Amount, in millions[a]/ 1967	Amount, in millions[a]/ 1966	Percent increase 1966 to 1967	Percent increase 1965 to 1966	Percent distribution, 1967	Amount per capita, 1967[b]/	Number of states using tax, fiscal 1967
1	2	3	4	5	6	7	8
Total collections	$31,910	$29,388	8.6%	12.5%	100.0%	$161.92	...
Sales and gross receipts	18,551	17,042	8.9	13.2	58.1	94.13	50
General	8,924	7,873	13.4	17.3	28.0	45.28	42
Selective	9,627	9,169	5.0	9.8	30.2	48.85	50
Motor fules	4,839	4,627	4.6	7.6	15.2	24.55	50
Alcoholic beverages .	1,041	985	5.7	7.4	3.3	5.28	50
Tobacco products	1,602	1,542	3.9	20.1	5.0	8.13	49
Insurance	866	813	6.6	9.2	2.7	4.40	50
Public utilities	600	552	8.8	10.7	1.9	3.04	38
Other	679	651	4.2	7.7	2.1	3.44	43
License	3,632	3,496	3.9	8.7	11.4	18.43	50
Motor vehicles and operators licenses	2,316	2,236	3.6	10.6	7.3	11.75	50
Corporations in general	615	561	9.6	6.2	1.9	3.12	50
Alcoholic beverages ...	138	135	2.7	1.1	0.4	0.70	49
Other	562	564	0.2	5.4	1.8	2.85	50
Income	7,136	6,341	12.5	13.5	22.4	36.21	40
Individual income[c]/ ...	4,909	4,303	14.1	17.7	15.4	24.91	36
Corporation income[c]/ ..	2,227	2,038	9.3	5.6	7.0	11.30	38
Property	862	833	3.4	8.6	2.7	4.37	42
Death and gift	795	808	-1.6	10.5	2.5	4.04	49
Severance	577	545	5.8	8.3	1.8	2.93	29
Others	357	323	10.5	23.1	1.1	1.81	28

Source:
U.S. Department of Commerce, Bureau of the Census. State Tax Collections in 1967. Series GF-No. 16. Washington, D.C.: Government Printing Office, November 1967. p. 5.

a/ Data for 1967 are preliminary; data for 1966 are revised.

b/ Based on estimates of population as of July 1, 1967.

c/ Individual income tax figures include corporation income tax amounts for New Mexico for 1965-66.

to state expenditures exceeding revenue receipts for the first time since 1963. Expenditures consumed general state revenues and existing surpluses, resulting in an excess of expenditure over revenue of $1.1 billion. In contrast, revenue receipts exceeded expenditures by $747 million in 1967 and by $484 million in 1965.

General revenue receipts did increase in 1967, 11.4 percent to $52.1 billion; but state general expenditures increased at a faster rate, 15.5 percent over 1966 to $53.2 billion, thereby resulting in a deficit. An expansion of state services, particularly in education and in public welfare, contributed heavily to the deficit. Significantly, although property tax revenue has continued to carry the burden for new school revenue, the new state revenue monies have exceeded those of new local revenue monies in two of the past three years. State expenditures in education during 1967 increased 19.6 percent to $21.2 billion; of this amount of increase, $11.8 billion was spent in state aid to public schools and in addition, $7.7 of the remaining $9.4 billion was spent for higher education. Public welfare expenditures in 1967 increased 19.4 percent to a total of $7.2 billion.

As state and local government expenditures continue their rapid growth, legislators must take cognizance of the necessity to finance such expansion. Hence, the increasing costs force legislators to find new sources of revenue while at the same time seeking more equitable tax liabilities. States have increased tax rates, but broadened tax exemptions, made liability changes, enacted tax credits, and effected measures to make property and sales taxes less regressive. One continuing trend has been to permit local governments an increasing role in imposing local nonproperty taxes.

This report deals with tax revenues in fiscal 1967 and state tax legislation enacted during the calendar year 1967. The main sources of information on legislation were the Commerce Clearing House publications, State Tax Guide, State Tax Reporter, and State Tax Review, and the Prentice-Hall publication, State and Local Taxes. Data on tax collections and government finances were from the annual reports of the Bureau of the Census.

Highlights

As in 1966, all major sources of tax revenue increased during fiscal 1967 (Table 2). Individual income taxes showed the greatest gain with a 14.1 percent increase, to $4.9 billion. Close behind were the general sales taxes with a 13.4 percent increase to $8.9 billion. General sales taxes, which still account for more than one-fourth (28.0 percent) of total collections were also the best source of revenue for 31 states.

Corporation income taxes rose 9.3 percent to $2.2 billion; alcoholic beverage taxes, 5.7 percent to $1.0 billion; motor fuels, 4.6 percent to $4.8 billion, and tobacco taxes, 3.9 percent to $1.6 billion.

Although all states collected more tax revenue in fiscal 1967 than in 1966, the percentage increases were not as great as in the previous year when all states except North Dakota had tax revenue increases of 6 percent or more. In contrast, the 1967 tax collections of 19 states increased less than 6 percent over those of 1966. New Jersey exhibited the greatest increase, 41.6 percent. Four other states--Massachusetts, Virginia, New York, and Hawaii--showed substantial increases ranging from 16.4 to 21.6 percent. (Table 3)

For the fourth consecutive year, state tax collections exceeded local collections. State revenues yielded $31.9 billion, up 8.6 percent from the 1966 collections of $29.4 billion, while local levies produced $28.9 billion, a rise of 5.6 percent over the 1966 figure of $27.4 billion. The trend of state collections surpassing the local began in 1964. The previous year (1963) the local revenues of $22.2 billion exceeded the state collections of $22.1 billion. The following year, the states and localities reversed positions, with state tax revenue of $24.2 billion surpassing the local tax collections of $23.5 billion. This trend has continued with state collections of $26.1 billion and local collections of $25.4 billion. In 1966 and 1967, state tax collections, as stated above, also exceeded local tax collections.

Most of the state legislatures continued to tap the old, established sources of revenue, rather than impose new levies. Four states altered the regular pattern somewhat, however, by adopting new broad-based sales and/or income tax proposals. Michigan and Nebraska levied both new corporate and personal income taxes, West Virginia imposed a new corporate income tax, and Minnesota and Nebraska enacted new sales and use taxes. The sales tax adoptions by Minnesota and Nebraska raised the number of sales tax states to 44 and left only six--Alaska, Delaware, Montana, New Hampshire, Oregon, and Vermont--without this tax.

Currently all states tax gasoline and alcoholic beverages in some form. Only North Carolina does not tax cigarettes. Six states do not tax general sales, 13 still have no tax upon personal income, 10 do not tax corporate income.

State Comparisons[3]

While state tax yields are influenced by underlying economic trends, sharp year-to-year changes in amounts for individual states generally reflect also the effect of legal changes in the base, rate, or collection timing of particular major taxes.

Some increase in total tax revenue from the preceding fiscal year is reported by Table 3 for all the states. Unlike 1966 when all states, except North Dakota, showed an increase of 6 percent or more, 19 states show an increase of less than 6 percent between 1966 and 1967. The five states showing the greatest percentage rise in state tax revenue from the preceding fiscal year were as follows:

	Percent increase, 1966 to 1967
New Jersey	41.6%
Massachusetts	21.6
Virginia	20.0
New York	18.3
Hawaii	16.4

3/ Adapted and partially quoted from: U.S. Department of Commerce, Bureau of the Census. State Tax Collections in 1967. Series GF-No. 16. Washington D.C.: Government Printing Office, 1967. p. 2-3.

TABLE 3.--STATE TAX COLLECTIONS, BY STATE AND TYPE OF TAX, 1967
(Columns 2-7 in thousands of dollars)

State	Sales and gross receipts	Income	Licenses	Others	Total, 1967[a/]	Total, 1966	Percent change, 1966 to 1967	Amount per capita, 1967[b/]
1	2	3	4	5	6	7	8	9
50 states	$18,551,314	$7,135,773	$3,631,549	$2,591,230	$31,909,866	$29,379,758	8.6%	$161.92
Alabama	338,660	88,031	30,711	25,662	483,064	463,013	4.3	136.46
Alaska	16,198	26,142	10,681	5,148	58,169	52,799	10.2	213.07
Arizona	186,397	40,888	25,792	45,058	298,135	274,200	8.7	182.35
Arkansas	185,464	56,331	35,047	7,053	283,895	264,826	7.2	144.18
California	1,949,955	952,044	273,232	309,894	3,485,125	3,437,731	1.4	181.87
Colorado	184,374	104,187	35,002	12,186	335,749	325,776	3.1	170.00
Connecticut	300,396	80,071	38,814	37,919	457,200	439,948	3.9	156.31
Delaware	33,197	67,019	31,269	8,640	140,125	129,601	8.1	267.93
Florida	657,992	...	155,938	62,891	876,821	819,147	7.0	146.23
Georgia	459,185	165,170	38,127	5,365	667,847	611,763	9.2	148.05
Hawaii	141,180	74,037	3,214	1,680	220,111	189,088	16.4	297.05
Idaho	64,392	40,806	20,745	2,591	128,534	119,814	7.3	183.88
Illinois	1,224,440	...	176,516	49,370	1,450,326	1,365,226	6.2	133.13
Indiana	504,442	172,937	64,900	29,021	771,300	729,174	5.8	154.29
Iowa	244,706	118,094	72,082	15,730	450,612	420,192	7.2	163.68
Kansas	205,184	94,959	39,549	15,473	355,165	346,991	2.4	156.12
Kentucky	282,215	121,070	29,527	32,895	465,707	434,525	7.2	145.94
Louisiana	327,449	70,204	57,187	240,066	694,906	658,571	5.5	189.87
Maine	105,697	...	18,771	8,056	132,524	127,988	3.5	136.20
Maryland	337,689	217,470	45,259	41,016	641,434	587,885	9.1	174.07
Massachusetts	406,711	324,122[c/]	171,444[c/]	40,182	942,459	773,157	21.9	173.85
Michigan	1,059,572	...	240,300	230,934	1,530,806	1,467,674	4.3	178.33
Minnesota	193,741	317,543	71,084	77,744	660,112	614,995	7.3	184.29
Mississippi	239,719	27,382	24,562	16,246	307,909	287,415	7.1	131.14
Missouri	408,274	110,611	80,794	15,403	615,082	579,788	6.1	133.57
Montana	37,703	31,832	11,826	11,462	92,823	91,198	1.8	132.42
Nebraska	76,403	...	14,272	45,784	136,459	130,001	5.0	95.09
Nevada	68,108	...	13,915	2,731	84,754	84,256	0.6	190.89
New Hampshire	40,911	2,708	14,828	7,734	66,181	61,478	7.6	96.61
New Jersey	565,397	59,324	154,751	54,498	833,970	589,146	41.6	119.07
New Mexico	119,186	18,040	23,527	45,012	205,765	201,911	1.9	205.15
New York	1,500,582	1,970,825	314,981	269,887	4,056,275	3,415,746	18.8	221.23
North Carolina	438,952	287,057	83,476	31,268	840,753	776,887	8.2	167.25
North Dakota	50,209	14,421	19,824	6,357	90,811	84,425	7.6	142.11
Ohio	871,246	...	216,028	70,543	1,157,817	1,122,741	3.1	110.67
Oklahoma	223,060	53,943	65,251	58,776	401,030	388,705	3.2	160.67
Oregon	77,142	185,507	49,429	10,664	322,742	299,988	7.6	161.45
Pennsylvania	1,192,724	244,503	242,960	89,145	1,769,332	1,674,675	5.7	152.19
Rhode Island	104,110	17,485	16,045	5,808	143,448	144,150	-0.5	159.21
South Carolina	256,798	106,089	26,302	6,320	395,509	358,986	10.2	151.94
South Dakota	67,822	583	13,217	2,018	83,640	77,593	7.8	124.09
Tennessee	367,332	52,251	79,343	15,496	514,422	480,949	7.0	132.31
Texas	819,569	...	207,316	308,962	1,335,847	1,267,084	5.4	122.86
Utah	94,651	50,946	12,682	17,159	175,438	168,192	4.3	171.66
Vermont	32,877	29,967	12,674	3,157	78,675	71,963	9.3	189.12
Virginia	297,144	242,002	69,652	26,148	634,946	528,962	20.0	140.07
Washington	634,377	...	59,583	81,681	775,641	696,522	11.4	251.10
West Virginia	218,779	27,119	29,778	5,981	281,657	264,245	6.6	156.65
Wisconsin	303,267	472,053	77,172	68,559	921,051	822,880	11.9	219.93
Wyoming	35,736	...	12,170	9,857	57,763	55,788	3.5	183.37

Sources:
U.S. Department of Commerce, Bureau of the Census. State Tax Collections in 1967. Series GF-No. 16. Washington, D.C.: Government Printing Office, 1967. p. 6-7, and State Government Finances in 1966. Series GF-No 11. Washington, D.C.: Government Printing Office, 1966. p. 19.

a/ Data for 1967 are preliminary; 1966 data are revised.
b/ Based on estimates of the population as of July 1, 1967.
c/ Amount for licenses includes $105,811,000 corporation taxes measured in part by net income.

TABLE 4.--MAJOR STATE TAX COLLECTIONS IN 1967
(As percent of total tax revenue)

State	Sales and gross receipts							Income			Licenses		
	Total sales and gross receipts	General sales or gross receipts	Motor fuels	Tobacco products	Alcoholic beverages	Insurance	Others	Total income	Individual income	Corporation net income	Total license	Motor vehicles and operators	Others[a]
1	2	3	4	5	6	7	8	9	10	11	12	13	14
50 states	58.1%	28.0%	15.2%	5.0%	3.3%	2.7%	4.0%	22.4%	15.4%	7.0%	11.4%	7.3%	8.1%
Alabama	70.1	35.4	20.3	4.8	5.4	2.6	1.6	18.2	12.0	6.2	6.4	1.9	5.3
Alaska	27.8	...	12.2	6.3	5.9	3.1	0.4	44.9	39.0	5.9	18.4[b]	7.7	8.9
Arizona	62.5	34.8	16.9	4.2	2.1	1.9	2.7	13.7	8.9	4.8	8.7	6.3	15.1
Arkansas	65.3	31.2	22.3	5.3	2.8	2.3	1.3	19.8	11.0	8.9	12.3	9.4	2.5
California	56.0	30.5	15.8	2.2	2.1	3.1	2.4	27.3	14.3	13.0	7.8	6.2	8.9
Colorado	54.9	29.4	15.6	3.4	2.6	2.8	1.1	31.0	23.3	7.7	10.4	6.7	3.6
Connecticut	65.7	31.9	14.1	7.1	3.8	2.2	6.7	17.5	...	17.5	8.5	6.6	8.3
Delaware	23.7	...	11.1	3.9	1.7	2.2	4.7	47.8	38.7	9.1	22.3[c]	6.3	6.2
Florida	75.0	34.3	20.2	2.2	8.8	2.9	6.5	...	...	...	17.8	12.2	7.2
Georgia	68.8	36.2	18.4	5.6	6.1	2.4	[d]	24.7	15.1	9.7	5.7	4.1	0.8
Hawaii	64.1	47.4	6.1	2.1	2.6	1.8	4.1	33.6	28.9	4.8	1.5	[d]	0.8
Idaho	50.1	25.5	15.0	3.5	2.3	2.8	0.9	31.7	24.3	7.5	16.1	10.1	2.0
Illinois	84.4	49.2	12.8	7.1	3.4	2.8	9.1	...	...	...	12.2	10.5	3.4
Indiana	65.4	39.0	16.9	4.9	2.3	2.4	[d]	22.4	20.5	1.9	8.4	6.6	3.8
Iowa	54.3	25.2	19.0	5.4	1.9	2.7	0.1	26.2	23.6	2.7	16.0	14.7	3.5
Kansas	57.8	33.3	14.6	4.9	2.4	2.5	0.1	26.7	20.0	6.7	11.1	8.7	4.4
Kentucky	60.6	29.1	18.6	2.2	4.1	2.6	4.0	26.0	17.3	8.7	6.3	3.9	7.1
Louisiana	47.1	21.0	11.9	4.7	4.0	2.4	3.1	10.1	5.1	5.0	8.2	2.4	34.5[e]
Maine	79.8	41.3	21.1	7.9	3.0	2.7	3.9	...	...	...	14.2	9.2	6.1
Maryland	52.6	21.2	14.1	3.9	2.0	2.5	8.9	33.9	28.3	5.6	7.1	5.8	6.4
Massachusetts ...	43.2	13.6	12.3	5.6	4.3	3.0	4.3	34.4	28.4	5.9	10.2[f]	4.2	4.3
Michigan	69.2	44.4	12.5	5.1	3.8	2.3	1.1	...	...	...	15.7	7.0	15.1
Minnesota	29.3	...	13.5	5.0	3.7	2.3	4.8	48.1	37.6	10.5	10.8	8.6	11.8
Mississippi	77.9	41.8	22.5	6.1	2.6	3.1	1.8	8.9	3.4	5.5	8.0	3.5	5.3
Missouri	66.4	41.6	15.8	4.0	1.8	3.1	[d]	18.0	15.5	2.5	13.1	9.7	2.5
Montana	40.6	...	23.4	6.7	4.9	3.5	2.1	34.3	26.1	8.2	12.7	6.4	12.3[g]
Nebraska	56.0	...	37.6	8.9	4.1	4.1	1.3	...	...	...	10.5	6.1	33.6[h]
Nevada	80.4	27.6	21.1	6.3	4.0	2.4	18.8[i]	...	...	...	16.4	10.6	3.2
New Hampshire ...	61.8	...	28.3	14.0	2.8	4.4	12.4[j]	4.1	4.1	...	22.4	16.6	11.7
New Jersey	67.8	25.0	17.8	11.6	3.8	4.2	5.3	7.1	1.3	5.8	18.6[k]	11.7	6.5
New Mexico	57.9	33.0	14.9	3.6	1.7	2.3	2.4	8.8	5.6	3.1	11.4	8.6	21.9[l]
New York	37.0	14.9	6.8	5.4	1.7	2.3	6.0	48.6	37.6	10.9	7.8	5.2	6.7
North Carolina ..	52.2	24.0	16.7	...	4.0	2.6	5.0	34.1	22.4	11.7	9.9	5.5	3.7
North Dakota	55.3	25.6	16.5	5.4	4.3	2.8	0.7	15.9	12.2	3.7	21.8	18.1	7.0
Ohio	75.2	31.7	23.7	5.9	3.7	3.7	6.6	...	...	...	18.7	11.0	6.1
Oklahoma	55.6	18.9	19.4	6.1	3.8	4.0	3.4	13.5	8.1	5.4	16.3	13.3	14.7[m]
Oregon	23.9	...	15.8	3.7	0.5	3.1	0.7	57.5	47.5	10.0	15.3	11.2	3.3
Pennsylvania	67.4	36.0	16.3	6.4	3.9	2.4	2.5	13.8	...	13.8	13.7	6.6	5.0
Rhode Island	72.6	34.1	14.6	6.9	2.7	2.8	11.4	12.2	...	12.2	11.2	8.3	4.0
South Carolina ..	64.9	28.8	17.9	3.4	8.1	2.6	4.0	26.8	15.9	11.0	6.7	3.7	1.6
South Dakota	81.1	37.0	22.3	6.3	4.5	3.6	7.4	0.7	...	0.7	15.8	11.9	2.4
Tennessee	71.4	36.6	21.5	5.9	2.8	3.7	0.8	10.2	1.7	8.4	15.4	8.6	3.0
Texas	61.4	19.4	18.5	10.0	3.6	3.2	6.7	...	...	...	15.5	9.7	23.1[n]
Utah	54.0	31.8	15.3	2.9	1.1	2.2	0.6	29.0	22.8	6.3	7.2	5.0	9.8[o]
Vermont	41.8	...	14.0	6.7	8.6	2.2	10.3	38.1	31.9	6.2	16.1	13.1	4.0
Virginia	46.8	13.7	19.4	2.1	4.3	3.2	4.1	38.1	30.3	7.8	11.0	8.4	4.1
Washington	81.8	54.9	12.8	4.4	3.9	1.5	4.3	...	...	...	7.7	5.1	10.5
West Virginia ...	77.7	45.2	15.5	4.8	1.4	3.1	7.7	9.6	9.6	...	10.6	8.6	2.1
Wisconsin	32.9	10.6	11.8	4.8	2.3	1.6	1.9	51.3	40.1	11.2	8.4	6.6	7.4
Wyoming	61.9	34.9	19.9	2.9	1.2	2.9	...	...	...	...	21.1	14.5	17.1[p]

Source:
U.S. Department of Commerce, Bureau of the Census. State Tax Collections in 1967. Series GF-No. 16. Washington, D.C.: Government Printing Office, November 1967. 38 p.

a/ "Others" category comprises the following: property tax, death and gift tax, severance tax, poll tax, document and stock transfer, and "other" or miscellaneous taxes which may vary from state to state.

b/ License tax on occupations and businesses accounts for 6.4% of total tax collections.

c/ Includes license tax on corporations, 12.6% of total taxes for the state.

d/ Less than 0.05%.

e/ Mainly severance taxes--31.0% of total tax collections.

f/ Includes license tax on corporations measured in part by net income--11.2%.

g/ Includes property tax--5.5%.

h/ Mainly property tax--accounts for 32.7%.

i/ Nearly all of 18.8 percentage shown is for amusement tax.

j/ Mainly from taxes on parimutuels--10.9% of total taxes.

k/ Includes license tax on corporations--5.4%.

l/ Severance tax accounts for 15.2%.

m/ Severance tax accounts for 11.3%.

n/ Severance tax accounts for 16.8%.

o/ Mainly property tax, 6.6% of total state tax revenue.

p/ Mainly property tax, 16.1% of total state tax revenue.

TABLE 5.--MAJOR STATE TAX COLLECTIONS IN 1967

State	Sales and gross receipts (in thousands)							Income (in thousands)			Licenses (in thousands)		
	Total sales and gross receipts	General sales or gross receipts	Motor fuels	Tobacco products	Alcoholic beverages	Insurance	Others[a]	Total income	Individual income	Corporation net income	Total license	Motor vehicles and operators	Others[b]
1	2	3	4	5	6	7	8	9	10	11	12	13	14
50 states	$18,551,314	$8,924,409	$4,838,999	$1,601,552	$1,041,088	$866,481	$1,278,785	$7,135,773	$4,909,140	$2,226,633	$3,631,549	$2,315,929	$2,591,230
Alabama	338,660	170,801	98,289	23,144	25,969	12,611	7,846	88,031	58,082	29,949	30,711	9,093	25,662
Alaska	16,198	...	7,077	3,665	3,406	1,803	247	26,142	22,692	3,450	10,681	4,496	5,148
Arizona	186,397	103,666	50,390	12,441	6,138	5,633	8,129	40,888	26,481	14,407	25,792	18,817	45,058
Arkansas	185,464	88,644	63,345	15,045	8,077	6,563	3,790	56,331	31,200	25,131	35,047	26,669	7,053
California	1,949,955	1,061,491	549,062	75,505	73,232	107,969	82,696	952,044	499,470	452,574	273,232	216,820	309,894
Colorado	184,374	98,765	52,442	11,475	8,668	9,332	3,692	104,187	78,388	25,799	35,002	22,335	12,186
Connecticut	300,396	145,636	64,307	32,392	17,504	10,127	30,430	80,071	...	80,071	38,814	30,258	37,919
Delaware	33,197	...	15,581	5,478	2,444	3,131	6,563	67,019	54,296	12,723	31,269	8,802	8,640
Florida	657,992	300,873	177,427	19,716	77,313	25,862	56,801	...	...	...	155,938	106,735	62,891
Georgia	459,185	241,784	122,721	37,615	40,840	16,224	1	165,170	100,562	64,608	38,127	27,680	5,365
Hawaii	141,180	104,309	13,509	4,669	5,797	3,932	8,964	74,037	63,512	10,525	3,214	65	1,680
Idaho	64,392	32,772	19,313	4,535	2,992	3,625	1,155	40,806	31,227	9,579	20,745	12,983	2,591
Illinois	1,224,440	712,946	185,893	102,993	49,650	40,269	132,689	...	...	...	176,516	152,380	49,370
Indiana	504,442	300,881	130,050	37,650	17,484	18,351	26	172,937	158,475	14,462	64,900	51,144	29,021
Iowa	244,706	113,555	85,394	24,128	8,699	12,367	563	118,094	106,120	11,974	72,082	66,146	15,730
Kansas	205,184	118,160	51,898	17,544	8,393	8,905	284	94,959	71,028	23,931	39,549	30,980	15,473
Kentucky	282,215	135,322	86,619	10,460	19,208	12,007	18,599	121,070	80,620	40,450	29,527	18,157	32,895
Louisiana	327,449	146,006	82,410	32,911	27,652	16,854	21,616	70,204	35,758	34,446	57,187	16,434	240,066
Maine	105,697	54,669	27,976	10,428	3,911	3,562	5,151	...	...	...	18,771	12,253	8,056
Maryland	337,689	135,974	90,472	25,047	12,806	16,181	57,209	217,470	181,807	35,663	45,259	37,122	41,016
Massachusetts	406,711	128,106	115,761	53,196	40,915	28,302	40,431	324,122	268,052	56,070[c]	171,444[c]	39,208	40,182
Michigan	1,059,572	680,360	190,848	77,940	58,410	34,959	17,055	...	...	...	240,300	107,536	230,934
Minnesota	193,741	...	88,885	32,693	24,742	15,450	31,971	317,543	247,939	69,604	71,084	56,915	77,744
Mississippi	239,719	128,732	69,392	18,638	8,115	9,393	5,449	27,382	10,405	16,977	24,562	10,818	16,246
Missouri	408,274	256,142	97,297	24,369	10,830	19,368	268	110,611	95,484	15,127	80,794	59,436	15,403
Montana	37,703	...	21,753	6,262	4,530	3,220	1,938	31,832	24,224	7,608	11,826	5,913	11,462
Nebraska	76,403	...	51,309	12,196	5,577	5,536	1,785	...	...	...	14,272	8,289	45,784
Nevada	68,108	23,381	17,921	5,366	3,428	2,049	15,963	...	...	...	13,915	8,954	2,731
New Hampshire	40,911	...	18,729	9,249	1,832	2,906	8,195	2,708	2,708	...	14,828	10,990	7,734
New Jersey	565,397	208,312	148,330	97,067	32,093	35,139	44,456	59,324	10,845	48,479	154,751	97,885	54,498
New Mexico	119,186	67,981	30,696	7,475	3,458	4,663	4,913	18,040	11,580	6,460	23,527	17,753	45,012
New York	1,500,582	604,327	275,808	218,453	68,167	92,088	241,739	1,970,825	1,527,087	443,738	314,981	210,178	269,887
North Carolina	438,952	201,642	140,665	...	33,236	21,568	41,841	287,057	188,563	98,494	83,476	46,066	31,268
North Dakota	50,209	23,238	14,976	4,930	3,875	2,574	616	14,421	11,086	3,335	19,824	16,475	6,357
Ohio	871,246	367,282	273,952	68,145	42,660	42,288	76,919	...	...	...	216,028	127,236	70,543
Oklahoma	223,060	75,760	77,924	24,446	15,048	16,167	13,715	53,943	32,433	21,510	65,251	53,439	58,776
Oregon	77,142	...	50,878	12,087	1,653	10,155	2,369	185,507	153,317	32,190	49,429	36,055	10,664
Pennsylvania	1,192,724	637,386	287,542	112,808	68,349	43,146	43,493	244,503	...	244,503	242,960	117,191	89,145
Rhode Island	104,110	48,955	20,999	9,967	3,840	3,951	16,398	17,485	...	17,485	16,045	11,973	5,808
South Carolina	256,798	113,812	70,907	13,582	32,169	10,396	15,932	106,089	62,694	43,395	26,302	14,651	6,320
South Dakota	67,822	30,905	18,676	5,250	3,786	3,040	6,165	583	...	583	13,217	9,978	2,018
Tennessee	367,332	188,445	110,651	30,565	14,536	19,191	3,944	52,251	8,973	43,278	79,343	44,008	15,496
Texas	819,569	259,435	246,868	133,411	47,732	42,664	89,459	...	...	...	207,316	129,937	308,962
Utah	94,651	55,846	26,827	5,101	1,995	3,838	1,044	50,946	39,946	11,000	12,682	8,740	17,159
Vermont	32,877	...	11,008	5,248	6,747	1,762	8,112	29,967	25,065	4,902	12,674	10,343	3,157
Virginia	297,144	87,079	123,485	13,225	27,287	20,108	25,960	242,002	192,662	49,340	69,652	53,575	26,148
Washington	634,377	425,822	99,111	33,832	30,168	11,901	33,543	...	...	...	59,583	39,797	81,681
West Virginia	218,779	127,302	43,738	13,518	3,930	8,723	21,568	27,119	27,119	...	29,778	24,307	5,981
Wisconsin	303,267	97,727	108,385	44,000	21,127	14,935	17,093	472,053	369,240	102,813	77,172	60,520	68,559
Wyoming	35,736	20,178	11,503	1,692	670	1,693	...	...	...	...	12,170	8,394	9,857

Source:
U.S. Department of Commerce, Bureau of the Census. State Tax Collections in 1967. Series GF-No. 16. Washington, D.C.: Government Printing Office, November 1967. p. 7-9.

a/ Includes public utilities, parimutuels, amusements, and other miscellaneous taxes which may vary from state to state.

b/ Includes property tax, death and gift tax, severance tax, poll tax, document and stock transfer, and "other" or miscellaneous taxes which may vary from state to state.

c/ Amount for licenses includes $105,811,000 corporation taxes measured in part by net income.

Nearly one-half of all state tax revenue was collected by the following seven major states, with amounts as follows (in millions of dollars):

New York	$4,056
California	3,485
Pennsylvania	1,769
Michigan	1,531
Illinois	1,450
Texas	1,336
Ohio	1,158

A considerable interstate range appears in the average per-capita amount of state tax revenue, as indicated by the following distribution of the 50 states, based on Table 3:

Per-capita state tax revenue, 1967	Number of states
$200 or more	7
$180 to $199	8
$160 to $179	9
$140 to $159	13
$120 to $139	9
Less than $120	4

Caution must be used in comparing tax amounts for individual state governments. There are marked interstate differences in the scope and intensity of public services, in economic resources, and in the pattern for distribution of responsibility for particular public functions, as between the state and local levels. Some state governments directly administer certain activities which elsewhere are undertaken by local governments, with or without state fiscal aid.

Tax Collections in 1967

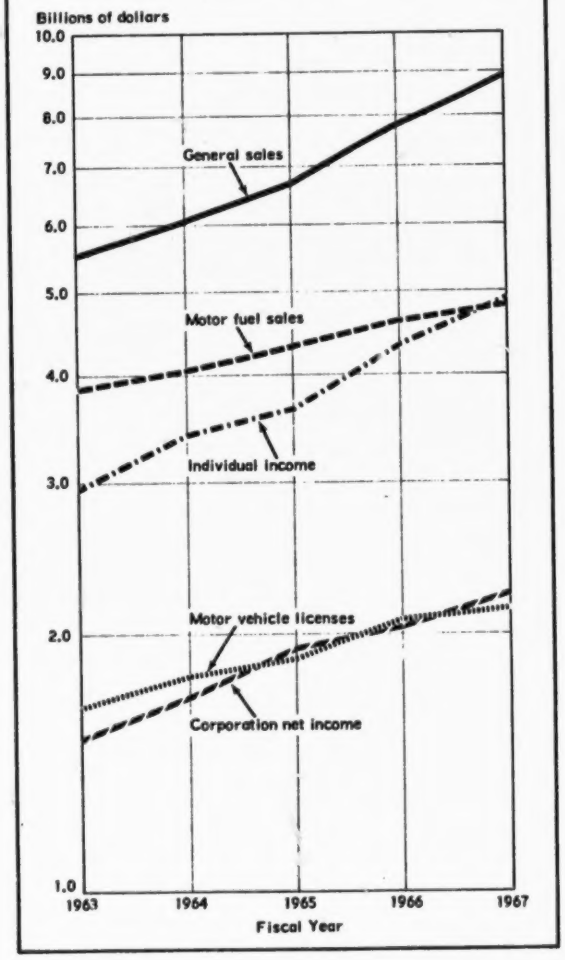
State tax collections in fiscal 1967 rose $2.5 billion, or 8.6 percent, to $31.9 billion, reflecting in part the light legislation of the previous "off year" when only 24 legislatures met in regular session. 1966 had been a record year for tax collections, increasing $3.3 billion or 12.5 percent over the collections of 1965 to $29.4 billion. In 1965, collections had again been lighter and had risen only 7.8 percent, or $1.9 billion, to a total $26.1 billion. Since 1962, yields from state taxes have risen from $20.6 billion to a high in 1967 of $31.9--an increase of 55.2 percent. The graph on this page shows the trends in collections for the five major sources of state revenue.

In keeping with the lower rate of increase in tax collections over the previous year, the increase in per-capita basis of state tax revenue from fiscal 1966 to 1967 was also less than that of the previous year (Table 2). An increase of 7.5 percent in per-capita basis of state tax revenue definitely continued the strong upward trend of the past decade, but fell short of the 11.3 percent increase of the previous year. From a per-capita state revenue collection of $150.60 in 1966, the amount collected climbed to $161.92 in 1967.

With nationwide prosperity continuing in fiscal 1967, all 50 states were able to collect more tax revenue than during the fiscal year 1966. The slower gains in revenue over the previous year, however, can be attributed to a slackened economic activity and fewer tax boosts last year. Prospects are much the same for next year, especially with an increase of federal taxes through the 10 percent surtax and a lower ceiling on federal expenditures. Inasmuch as they restrict inflation, these actions by the federal government will assist state and local governments. On the other hand, these same actions may limit consumer spending and, therefore, reduce increases in state tax revenue, especially that portion responsive to consumer spending.

Tax collections for all states combined are given in Table 2 by major type of tax, in total and in per-capita amounts. Tax collections for each state for sales and gross receipts, income, licenses, and all other collections by major type of tax appear in Table 3, and as percents of total tax revenue, in Table 4.

Trends in State Revenue From Selected Types of Taxes, 1963-1967



Source:
U.S. Department of Commerce, Bureau of the Census. State Tax Collections in 1967. Series GF-No. 16. Washington, D.C.: Government Printing Office, 1967. p. 1.

General and Selective Sales Taxes

Combined collections from state taxes levied on various types of general and selective sales and gross receipts again accounted for 58 percent of tax collections--almost three times as much as any other single state tax in fiscal 1967. The tax yielded over $18.5 billion, an 8.8 percent increase over 1966 (Table 5). Of these sales and gross receipts taxes, the general sales and gross receipts are of primary importance; providing more than one-fourth (28.0) of all state tax revenues in 1967, the general sales collections rose to $8.9 billion, a 13.4 percent rise over 1966. Only individual income revenues which increased 14.1 percent showed a greater percentage increase.

The prominence of the sales tax is substantiated by the fact that 31 states continue to find it their best source of revenue. Moreover, of the seven states which together account for almost one-half of the nationwide state tax revenue, six--California, Illinois, Michigan, Ohio, Pennsylvania, and Texas--drew the most revenue from their sales tax. (The income tax yielded more in New York.) California alone collected $1.06 billion from the general sales tax, and Illinois, Michigan, New York, and Pennsylvania each collected more than $500 million. Twenty-three of the remaining sales tax states each collected more than $100 million from the tax.

Revenues from selective sales and gross receipts (motor fuels, alcoholic beverages, tobacco products, insurance, utilities, parimutuels, and several others) rose from $9.2 billion in 1966 to $9.6 billion in 1967, an increase of 5.0 percent. Of the selective sales tax levies, revenues from the motor fuels were the largest, yielding $4.8 billion, up 4.6 percent from a year ago. The next largest yield was derived from tobacco products; tobacco collections for 49 states totaled $1.6 billion, a rise of 3.9 percent as contrasted to an increase of 20.1 percent in tobacco revenues from fiscal 1965 to 1966. A rise of 5.7 percent, from $985 million to $1.0 billion was reported from the tax on alcoholic beverages as collected by the 50 states. Taxes on pari-mutuels continued to increase in importance and totaled $423 million, representing a 3.3 percent increase from a year ago. The tax on pari-mutuels is one of the more concentrated state taxes. It is a revenue source in 27 states, with five states receiving nearly 70 percent of the total; New York alone accounts for 34 percent of the pari-mutuel collections. California, Florida, Illinois, and New Jersey are the other four states in order of magnitude. Another case of concentration is Nevada, accounting for over 55 percent of the amusement taxes levied in the 27 states.

Net Income Taxes

Individual income taxpayers paid over $4.9 billion in such taxes to state governments in 1967--a 14.1 percent increase over the fiscal 1966 collections. No other revenue source registered a larger gain. And with two new individual income tax states--Michigan and Nebraska--fiscal 1968 increases promise to be even greater. Collections of corporate net income taxes increased 9.3 percent from the previous year; this increase contrasts to the lower 5.6 percent increase from fiscal 1965 to 1966. Thirty-eight states untilized this source in 1967, deriving $2.2 billion from the tax. The corporate income tax has come of age since 1962, with a 70.3 percent increase in the five-year period. With Michigan, Nebraska, and West Virginia enacting corporate income tax legislation in their 1967 legislatures, the prospect for even larger increases in corporate tax revenues is indeed good. As a combined source of revenue, corporate and individual income taxes accounted for nearly 23 percent of all state tax collections. They produced revenues totaling $7.1 billion, a gain of 12.5 percent over last year.

Best Sources of State Tax Revenue

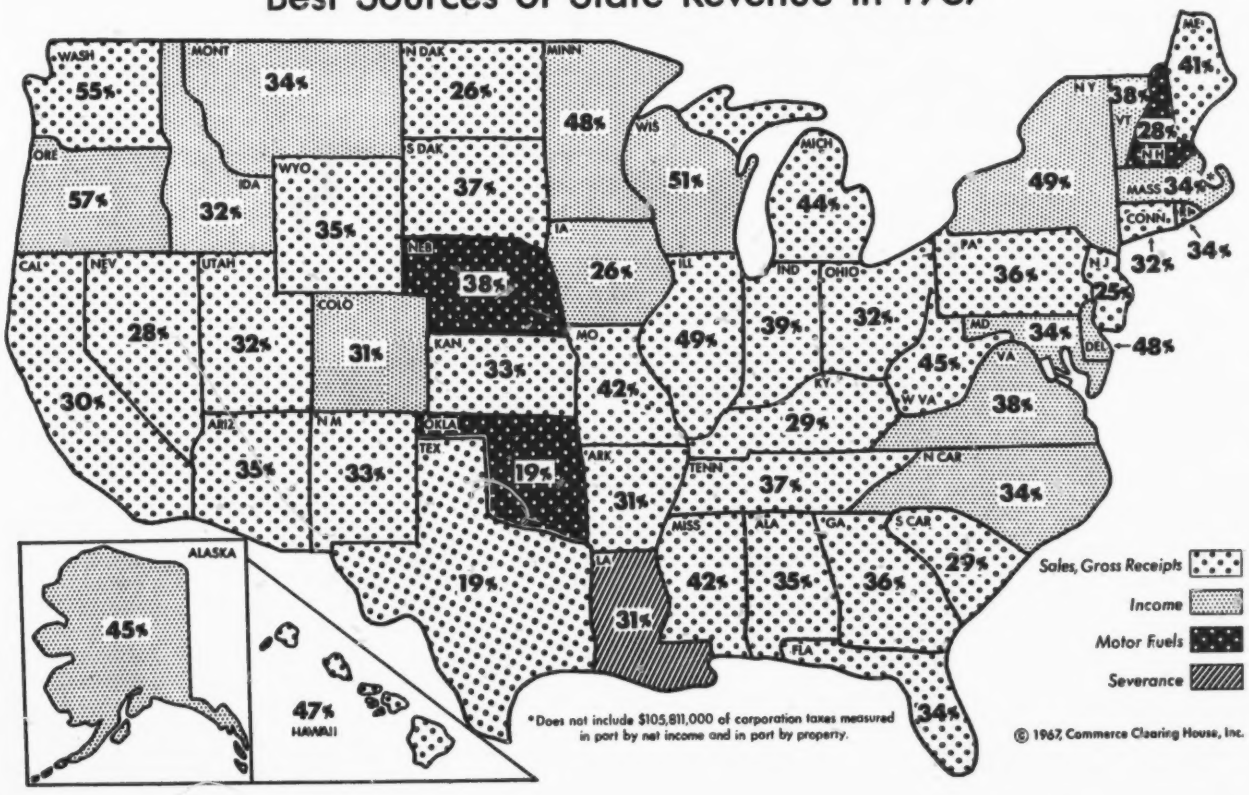
In fiscal 1967 the sales tax retained its prominent position as the greatest state tax revenue source. The sales tax was the best source of revenue for 31 states. Although four states--Colorado, Iowa, New Jersey, and Texas--exhibited a change to a new best source of revenue during the past year, the number of states finding the sales tax their best source remained the same as in 1966. New Jersey, which had adopted the sales tax only a year previously, found the new tax yielded more revenue for the state than any other. Texas, like New Jersey, had found the motor fuels tax to be its best source of revenue in 1966, but received more from the sales tax in fiscal 1967. Colorado and Iowa exhibited a change from the sales tax as a best source to the income tax. The income tax was the best source of tax revenue in 15 states, the gasoline taxes for three, and the severance tax in Louisiana. The best sources of state tax revenue in 1967 are shown for each state in a map reproduced on page 9 with permission of Commerce Clearing House.

State Tax Legislation

Tax legislation is always more "brisk" in uneven years when most state legislatures meet. Legislative year 1967 was no exception. Forty-four of the 47 legislatures which met adopted new taxes, raised the rates of existing taxes or made other changes in their revenue systems (Table 6).

Major new taxes were adopted in four states during 1967. Nebraska, in an effort to remedy its "taxless" condition of 1966 when voters rejected a flat-rate income tax and a constitutional amendment eliminated its property tax, enacted three major new taxes--a personal income tax, a corporate income tax, and a general sales tax. Michigan also enacted both new individual and corporate income taxes, and West Virginia adopted a new corporate income tax. In addition to Nebraska, Minnesota also passed a new general sales tax. With these new tax adoptions, the number of states with general sales taxes rose to 44, the number with personal income taxes increased to 36 (plus two states which tax only interest and dividends), and the number levying corporate income taxes rose to 40.

Nearly 50 tax increases occurred in at least 25 states. Minnesota continued its fiscal reform program by increasing rates on corporate incomes and extending its currently increased rates on individual incomes and additional tax rates and surtaxes on corporate incomes. Legislation to



raise rates on both personal and corporate incomes passed in Arizona, California, Iowa, Maryland, Massachusetts, and Montana. Pennsylvania and Tennessee increased corporate income rates. Sales and use tax rates were increased in 11 states, including Pennsylvania which set a new high rate of 6 percent for the tax.

General Sales and Use Taxes

In 1967, nearly two-thirds of the states passed some type of legislation affecting the sales tax. Of particular significance were the new enactments by Minnesota and Nebraska and the adoption of a new tax by North Dakota to replace the use tax in effect since 1965. In addition, eleven states adopted rate increases in state sales and use taxes.

Reflecting the new rate changes, the state sales and use tax rates (Table 7) now in effect range from 2.0 percent in 6 states to 6.0 percent in Pennsylvania. Although the 3 percent rate occurs in 25 states, 12 states levy a higher rate. The current distribution of rates among the states is:

Rate	Number of states
2%	6
2.25	1
3.0	25
3.5	2
4.0	5
4.25	1
4.5	2
5.0	1
6.0	1
Total	44

The new sales taxes imposed in Minnesota and Nebraska became effective July 31, 1967, and June 1, 1967, respectively. The Minnesota tax was levied at a 3 percent rate; food, medicine, and most clothing were excluded from the tax base. The Nebraska tax was imposed at 2.5 percent but is scheduled to decrease to 2 percent on January 1, 1969. Medicine is exempt under the Nebraska legislation. When passing the sales tax legislation, both states also levied use taxes to be imposed at the same rates as the sales taxes.

The North Dakota legislature passed a 2.25 percent sales and use tax which was to become effective April 1, 1967; however, additional legislation increased the rate from 2.25 percent to 3 percent, effective on the same date. The new sales and use tax replaced the use tax still in effect which had been applicable to both intrastate and interstate sales, and the sales tax which had expired in 1965. Under the sales tax provisions, medicine is exempt.

Included among the states increasing their sales and use tax rates were California, Illinois, Iowa, Maine, Nevada, North Dakota, Ohio, Pennsylvania, Rhode Island, Washington, and Wyoming. The California legislation increased the sales and use tax rate from 3 percent to 4 percent for the period August 1, 1967, through June 30, 1968, at which time, the rate may continue at 4 percent or be reduced to 3.5 percent. According to the provisions of the legislation, the determining factor is to be whether or not the legislature appropriates additional funds to the property relief fund on or before June 15, 1968. When added to the 1 percent local tax the effective rate of the sales tax in California becomes 5 percent. The Illinois rate was increased from 3.5 percent to 4.25 percent; in addition, the local tax rate was increased from 1/2 to 3/4 of 1

percent, bringing the total effective rate to 5 percent where applicable. The new rates are effective for property purchased after June 30, 1967, and before July 1, 1969. Beginning August 1, 1967, the rates of the Illinois service occupation and service use taxes also increase from 3.5 to 4.25 percent; these rates were previously scheduled to drop to 2.5 percent July 1, 1967. In Iowa, the sales and use tax rate was increased from 2 percent to 3 percent and the sales tax was extended to cover many services and transactions not previously covered; the effective date of the new rates was October 1, 1967.

The Maine legislature increased the sales and use tax rate from 4 to 4.5 percent to become effective November 1, 1967. A mandatory county sales and use tax of 1 percent was passed in Nevada, bringing the total effective rate to 3 percent when added to the 2 percent state rate. After the Nevada Supreme Court declared the county tax constitutional, the tax became effective July 1, 1967. Ohio raised its sales and use tax from 3 to 4 percent, effective September 1, 1967, and repealed exemptions on certain items, including cigarettes and beer and malt beverages.

Pennsylvania, which since 1963 has levied the highest sales tax rate in the nation--5 percent--topped even that effort by increasing its rate to

TABLE 6.--STATES ADOPTING CHANGES OR ACTION IN SELECTED STATE TAXES IN 1967

State	Income		General sales	Tobacco	Alcoholic beverages	Gasoline
	Personal	Corporate				
1	2	3	4	5	6	7
Ala. ..	...	...	...	X	...	X
Alaska.	...	...	...	...	...	...
Ariz. .	X	X	N[a]	X	X	...
Ark. ..	X	...	X	...	...	...
Calif..	X	X	X	X	X	...
Colo. .	X	X	X	...	...	X
Conn. .	...	X	X	...	...	...
Del. ..	X	...	...	...	...	...
Fla. ..	...	...	X	...	X	...
Ga. ...	...	...	X	...	...	...
Hawaii.	X	X	X	...	...	...
Idaho .	...	X	X	...	...	X
Ill. ..	...	...	X	X	...	X
Ind. ..	X	X	X	...	...	...
Iowa ..	X	X	X	X	X	...
Kans. .	X	...	X	...	X	X
Ky. ...	...	...	...	...	...	...
La. ...	X	X	...	...	...	...
Maine .	...	...	X	X	X	...
Md. ...	X	X	...	...	...	...
Mass. .	X	X	X[b]/	...	...	...
Mich. .	N	N	X[c]/	...	X	X
Minn. .	X	X	N[d]/	...	X[e]/	X
Miss. .	...	...	...	...	...	...
Mo. ...	...	...	...	...	...	...

State	Income		General sales	Tobacco	Alcoholic beverages	Gasoline
	Personal	Corporate				
1	2	3	4	5	6	7
Mont. .	X	X	f/	...	...	X
Nebr. .	N	N	N[g]/	...	X	X
Nev. ..	...	...	X	...	...	...
N. H. .	...	...	...	X	...	X
N. J. .	X	X	X	...	...	...
N. Mex.	...	X	X	...	...	X
N. Y. .	X	...	X	...	...	...
N. C. .	X	X	X[h]/	...	X	...
N. Dak.	X	X	N[h]/	...	X	...
Ohio ..	...	...	X	X	...	...
Okla. .	X	X	X	...	...	...
Oreg. .	X	X	...	...	...	X
Pa. ...	...	X	X	X	X	...
R. I. .	...	X	X	...	...	...
S. C. .	X	X	X	...	...	...
S. Dak.	...	...	X	...	...	...
Tenn. .	...	X	X	X	X	...
Texas .	...	...	X	X	X	X
Utah ..	X	X	X	...	...	...
Vt. ...	X	...	...	...	...	...
Va. ...	...	...	...	...	...	...
Wash. .	...	...	X	...	...	X
W. Va..	...	N	X	X	X	...
Wis. ..	...	X	...	...	...	...
Wyo. ..	...	...	X	X	...	X

X indicates change in existing tax.
N indicates adoption of new tax.

a/ The new tax is a transaction privilege (sales) tax and is levied on the leasing or renting of tangible personal property. Another tax--a special annual excise tax for education--was levied on the gross proceeds of sales or gross income of certain businesses for the privilege of doing business in the state.

b/ The sales and use tax, scheduled to expire December 31, 1967, was made permanent.

c/ The Michigan business receipts tax, on the income of persons engaging in any activity or business for gain, is repealed effective January 1, 1968.

d/ Effective for sales after July 31, 1967, a 3% sales and use tax is levied on gross receipts from the retail sale, use, or storage of tangible personal property.

e/ The 15% surtax on intoxicating liquors which had been scheduled to expire June 30, 1967, was continued until June 30, 1969.

f/ Montana, which has no sales and use tax, levied an additional "license fee" of 1% on the gross receipts of public contracts. The tax may be credited against the contractor's corporation license tax or income tax.

g/ A 2.5% sales and use tax is imposed beginning June 1, 1967.

h/ A new 2.25% sales and use tax was imposed to replace the former tax, a use tax only. The effective date of the tax is April 1, 1967.

6 percent. The new Pennsylvania rates became effective January 1, 1968. Rhode Island, in raising its sales and use tax rate to 5 percent effective June 1, 1967, became the state with the second highest rate in the nation; moreover, the tax was extended to cover more transactions than formerly. Washington increased its sales tax rate from 4.2 percent to 4.5 percent, effective July 1, 1967, and added several categories. Wyoming increased the state sales and use tax rate from 2.5 percent to 3 percent, but repealed the local authority to levy sales taxes of 1/2 of 1 percent.

West Virginia increased its business and occupation tax rate from 4/10 of 1 percent to 8/10 of 1 percent of gross proceeds of sales, effective April 1, 1967. And in other actions related to gross receipts taxes, Montana levied an additional license fee of 1 percent of gross receipts on public contractors. Arizona levied a special annual excise tax on the privilege of doing business in the state; the proceeds of the tax--levied at 1.5 percent of gross proceeds of sales or gross income from specified businesses--will be used for education. Arizona also imposed a transaction privilege (sales) tax on the leasing or renting of tangible personal property, beginning March 22, 1968.

Several states which did not increase the rate of tax did extend the sales tax rate to transactions not previously covered. Hawaii extended its gross income tax rate applicable to wholesale sales (with a rate of 1/2 of 1 percent) to several articles including containers, cartons, and packaging materials for eggs, vegetables, and agricultural products,, to seedlings and cuttings for producing nursery plants and to containers for baby chickens. North Carolina extended its gross sales tax of 1.5 percent, (with a maximum of $120) to boats. South Dakota added resales of farm machinery by licensed retailers to the list of articles on which the 2 percent tax applies. Tennessee repealed a previous exemption allowed on manufactured tobacco and provided that persons operating tobacco products vending machines must pay a tax of 2.5 percent of gross receipts; the tax on the gross receipts of other types of vending machines is 1.5 percent. Utah repealed an exemption which had applied to sales of draught beer. Wyoming, similarly, repealed its previous exemption on fermented, spiritous, and malt liquor.

Although no states decreased their existing sales tax rates during 1967, several did enact new exemptions or provide for new credits on the tax paid. Arizona exempted prescription drugs, effective March 22, 1968, as well as other items, including personal property purchased outside the state by hospitals operated for charitable purposes or by the state. However, Arizona also repealed its sales tax exemption on property used for religious or charitable purposes and property not available in the state. Arkansas passed legislation intended to clarify its already existing exemptions for manufacturing property. California exempted contracts entered into prior to August 1, 1967, as well as the leases of mobile transportation equipment for use in for-hire transportation of property in interstate or foreign commerce. Colorado exempted property which had been subjected to a sales or use

TABLE 7.--GENERAL STATE SALES TAX RATES AND PROVISIONS

State	Rate[a]	State tax law	Exemptions of major items		
			Food	Medicine	Clothing
1	2	3	4	5	6
Ala.	4%	Gross receipts (sales)			
Ariz. ...	3	Occupational gross income		X	
Ark.	3	Gross receipts (sales)			
Calif.[b]	4	Sales	X	X	
Colo. ...	3	Retail sales		X	
Conn. ...	3.5	Sales	X	X	X[c]
Fla.	3	Sales	X	X	
Ga.	3	Sales			
Hawaii ..	4	General excise (gross income)			
Idaho ...	3	Sales		X	
Ill.[d] ..	4.25	Occupational retail sales			
Ind.	2	Sales		X	
Iowa	3	Retail sales			
Kans. ...	3	Sales			
Ky.	3	Sales			
La.	2	Sales			
Maine ...	4.5	Sales	X	X	
Md.	3	Retail sales	X	X	
Mass. ...	3	Sales	X	X	X[e]
Mich. ...	4	Occupational retail sales			
Minn. ...	3	Sales	X	X	X
Miss. ...	3.5	Occupational retail sales			
Mo. ..[f] ..	3	Retail sales			
Nebr. ..	2.25	Sales		X	
Nev.	3	Sales			
N.J.	3	Sales	X	X	X
N. Mex. .	3	Gross receipts (sales)			
N.Y.	2	Sales	X	X	
N.C.	3	Sales		X	
N. Dak. .	3	Retail sales		X	
Ohio	4	Retail sales	X	X	
Okla. ...	2	Retail sales			
Pa.[g] ...	6	Sales	X	X	X
R.I.	5	Sales	X	X	
S.C.	3	Retail sales			
S. Dak...	3	Occupational retail sales			
Tenn. ...	3	Sales			
Texas ...	2	Sales	X	X	
Utah	3	Sales			
Va.	2	Retail sales		X	
Wash. ...	4.5	Retail sales			
W. Va. ..	3	Retail sales			
Wis.	3	Selective sales	X	X	X
Wyo.	3	Retail sales			

Source:

Commerce Clearing House. State Tax Guide. New York: the House. Data as of January 1, 1968.

a/ Sales taxes are supplemented with use taxes levied at the same rate. Rates are applicable to the retail sale of tangible personal property.

b/ Rate effective through June 30, 1968. Thereafter, the rate may stay at 4% or be reduced to 3.5% depending upon action by legislature.

c/ Children's clothing only.

d/ The state also has a service occupation tax and a service use tax with 3 1/2% rate.

e/ Exemption on clothing extends up to a sales price of $175 only.

f/ Rate decreases to 2% effective January 1, 1969.

g/ Rate decreases to 5% effective July 1, 1969.

tax equal to or in excess of the Colorado use tax; the state also granted a credit against the use tax for property purchased in another state equal to the tax paid in the other state and to property acquired outside the state and later brought in by a former nonresident. Tax relief or exemptions were allowed for pollution control equipment in Connecticut, Florida, Georgia, Illinois, Ohio, and Washington. Florida also allowed a credit for sales taxes paid to another state; such credit is allowed whether or not the other state allows a reciprocal credit. Florida also provided that dealers be allowed a sales tax refund or credit for tax paid on the unpaid balance of repossessed property.

Georgia added exemptions for sales of food to private secondary schools and for sales of water by municipal corporations or subdivisions of the state. Hawaii passed legislation to allow a use tax credit for sales or use tax paid to another state on the same transaction or property. In addition, Hawaii broadened its exemptions from the general excise (gross income tax) by extending it to corporations operating senior citizen housing facilities (qualifying for a loan under federal housing legislation) and to contractors for constructing low or moderate income housing projects when operated by nonprofit corporations or associations. Idaho exempted prescription drugs and several other sales, such as to hospitals, boy scouts, and educational institutions. A credit was also provided by Idaho for worthless accounts, and the requirement for reciprocity in the application of credit for payment of sales to other states was eliminated. Illinois granted an exemption from gross receipts of sales of tangible personal property to interstate carriers for hire as well as for the fuel consumed in ships, barges, or vessels used in the transportation of property. Iowa exempted sales made to educational institutions and provided for refunds of sales or use taxes paid on the gross receipts of sales to a contractor who completed a written contract with an educational institution. Maine expanded its sales tax exemption provisions by including the fuel allowed for ships; the state also expanded the list of goods removed from the state on which a sales tax refund was allowed. Nebraska exempted feed for anaimals whose furs were used for apparel. The New Jersey legislature added a long list of items which would be exempt from the sales and use tax. Oklahoma allowed an exemption for farm machinery. Sales to interest-free loan associations were declared exempt from the sales tax in Rhode Island. Automobiles or motor bikes purchased by nonresident servicemen were given exemption from sales tax in South Carolina, as were sales of technical equipment used by radio and television stations. And in other legislative actions, South Dakota exempted irrigation equipment from the new additional sales tax of 1 percent; and Texas made various property and equipment used offshore outside the territorial limits exempt.

As previously noted, both Florida and Hawaii passed legislation to allow credit for sales taxes paid other states. New York passed similar legislation, allowing sales taxes paid to another jurisdiction to apply to the extent that the total rate of both taxes exceeds the tax paid the first taxing jurisdiction; the amount determined payable is allocated between the state and the locality. North Carolina also allowed retail sales or use taxes paid in another state on tangible personal property to be credited toward any North Carolina liability on the property. Washington provided that use tax credit would be allowed for property used in Washington on which sales taxes were paid to another state.

Massachusetts and Michigan also passed significant legislation pertinent to the sales tax. Massachusetts made its sales and use tax, scheduled to expire December 31, 1967, permanent. The legislation also limited the exemption allowed for clothing to the first $175 of the sales price. In Michigan, the business receipts tax which had been imposed on the income of those engaging in any activity for gain in the state, was repealed effective January 1, 1968. The tax had been imposed at a rate of 2 mills for public utilities and 7.75 mills on all other businesses.

Tobacco Taxes

In 1965, the last major legislative year, the cigarette tax was the object of rate increases in 22 states. In contrast, exactly half or 11 states, raised their cigarette tax rates in the 1967 legislative sessions. (Two states raised the cigarette tax rate in 1966, an off year.) One state--West Virginia--repealed its cigarette use tax in 1967. And in the only action where a tobacco tax was lowered, Texas reduced its tax on cigars weighing more than 3 pounds per thousand.

Rate increases in the cigarette tax were enacted in Alabama, Arizona, California, Illinois, Iowa, Maine, New Hampshire, Ohio, Pennsylvania, Tennessee, and Wyoming. In Alabama, two enactments, one of an additional 1¢ and the other of 2¢, increased the cigarette tax rate from 7¢ to 10¢ per pack. Arizona raised its tax from 6.5¢ to 10¢ per pack. California enacted a two-step rate increase with the total increase equal to 7¢; the first step raised the rate from 3¢ to 7¢, effective August 1, 1967, and the second step raised the rate from 7¢ to 10¢ effective October 1, 1967. California also lowered its discount rate on tax stamps from 2% to .85%.

Illinois increased the sales and use tax rate on cigarettes from 7¢ to 9¢ per pack. Cigarette tax rates in Iowa were increasing according to two varying weights of packages; for packs weighing not more than three pounds a thousand, the increase was from 8¢ to 10¢, and on packs weighing over three pounds a thousand, the increase was from 10¢ to 12¢. Iowa also levied a new tax on tobacco products (cigars, snuff, and pipe and chewing tobacco) at a rate of 10% of the wholesale price. A tax on cigarette papers, wrappers, and tubes was eliminated. Maine, like California, levied a two-step increase; the first increase, effective July 1, 1967, was from 8¢ to 9¢, with a later increase from 9¢ to 10¢ becoming effective November 1, 1967. New Hampshire raised the tax it levied on all tobacco products, including cigarettes, from 21% to 30% of the retail value measured by the selling price; the effective tax rate on cigarettes thus amounts to 2¢ per pack. In addition, New Hampshire reduced the discount on stamps allowed to licensed manufactures, wholesalers, and subjobbers from 4% to 3-1/2 percent of

the face value of the stamps. The Ohio cigarette tax increase was from 5¢ to 7¢ a package.

Pennsylvania--which also has the highest sales tax rate in the nation--raised the cigarette tax from 8¢ to 13¢, making it the highest cigarette tax rate in the nation. In Tennessee, the cigarette tax rate was increased from 7¢ to 8¢ a package. A former sales tax exemption on "manufactured tobacco products" was also eliminated; the effect of the elimination was to make cigarettes, cigars, and other tobacco products subject to a 3 percent state sales tax as well. Wyoming increased the cigarette tax rate from 4¢ to 8¢ per pack.

The West Virginia legislature repealed the 6 percent use tax which had been levied on the consumption or storage of cigarettes in the state; the legislation became effective March 11, 1967.

Texas was the only state to lower a tobacco tax rate in 1967. The state reduced the tax on cigars weighing more than 3 pounds per thousand and retailing for over 3.3¢ each (and containing no substantial amount of non-tobacco ingredients, and having a factory list price, exclusive of this tax, of less than $170 per 1,000) from $15 to $12 a thousand. Cigars having a factory list price of $170 or more or containing a substantial amount of non-tobacco ingredients will continue to be taxed at $15.

The 8-cent cigarette rate, used in 18 states, is still the most popular rate. After the new legislation, 16 states impose a higher rate; others levy taxes ranging from 2.5¢ to 7¢ a pack. This may be compared to 1966 when 19 states imposed the 8¢ rate and only 8 states imposed a higher rate. The current distribution of rates among the states is:

Rate	Number of states
2.5¢	2
4.0	2
5.0	2
6.0	3
6.5	1
7.0	5
8.0	18
9.0	2
10.0	8
11.0	3
40% of wholesale price	1
30% of retail price	1
Total	49

Table 8 presents the cigarette and tobacco tax rates currently in effect.

Alcoholic Beverage Taxes

Seven states increased their alcohol tax rates in 1967, and one state made the tax permanent. In another state, a temporary surtax was extended. Increasing the alcoholic beverage rates were Arizona, California, Florida, Iowa, Maine, Pennsylvania, and Tennessee.

Arizona raised its tax imposed on each 8 ounces of spiritous liquor or vinous liquor containing more than 24 percent alcohol by volume; the increase was from 9¢ to 12.5¢. California increased its excise tax on distilled spirits of proof strength or less from $1.50 to $2.00 per wine gallon; the tax on distilled spirits in excess of proof strength was increased from $3 to $4. In Florida, the additional tax on beverages of more than 48 percent alcohol was raised from 50¢ to 54¢. In addition, the temporary tax rates favoring domestic Florida beverages were made permanent and extended to beverages made from Florida fruit and honey.

Iowa replaced a 10 percent occupational license tax on gross sales with a special tax on on-premise liquor licenses equal to 15 percent of the price established by the liquor control commission on alcoholic beverages for general sale to the public; the legislation provided that the tax be paid by the licensees at time of purchase and would be in lieu of any other sales tax applied at the state stores. Iowa also increased the tax rate from $2.48 to $3.72 per barrel on beer containing not more than 4 percent alcohol by weight. In Maine, the tax on spirits and wines was increased so as to produce a state liquor tax of not less than 75%--an increase of 10%--"based on the less car load cost FOB at the State Liquor Commission warehouse." Pennsylvania increased from 15 percent to 18 percent the mark-up on liquor sold by the liquor control board. Tennessee increased the tax on wine from $.70 to $1.10 per gallon and the tax on distilled spirits from $2.50 to $4.00 per gallon.

Tennessee also imposed several new liquor taxes. A tax of 15 percent of the sales price of all alcoholic beverages sold for consumption on the premises was levied. In addition, the legislation provided that state privilege taxes in the form of licenses could be levied in counties having a population in excess of 235,000 and authorizing such sales by vote; the state annual privilege taxes have a range of $100 to $1,000, but governmental subdivisions may also levy privilege taxes. A tax of 15 percent of gross receipts was levied on persons who sell mixed drinks or setups, but does not apply to those required to have licenses for on-the-premises consumption sales.

In other action, Minnesota extended a 15 percent surtax on intoxicating liquors scheduled to expire June 30, 1967. The new date of expiration of the tax is June 30, 1969. Michigan restricted a tax rate of 4¢ a gallon on wines manufactured in Michigan from Michigan grown grapes to those cases only where the purchasers have paid the Michigan grape growers $100 or more a ton; the required sum was formerly $85.

Details of state alcoholic beverage tax rates appear in Table 9.

Gasoline Tax Rates

Gasoline taxes were increased in nine states during 1967. Idaho raised its motor fuels excise tax and special fuel use excise tax from 6¢ to 7¢; in addition, a special privilege tax of 1¢ per gallon was levied on all aircraft engine fuel sold and will

TABLE 8.--STATE CIGARETTE AND TABACCO TAX RATES

State	Cigarettes (per pack) of 20	Cigars (per 1,000)	Smoking tobacco	Discount on stamps (percent of face value)
1	2	3	4	5
Alabama	10[a]	$1.50 to $20.25	2¢ to 11¢ per pack[b]	7.5%
Alaska	8			1.0
Arizona	6.5[c]	1.00 to 10.00	1¢ per oz.	1.5
Arkansas	8			6.0
California	10[d]			0.85
Colorado	5			6.0
Connecticut	8			2.25
Delaware	7			3.5
Florida	8[a]			5.0[e]
Georgia	8[a]	1.50 to 20.00		2.0-8.0[f]
Hawaii	(40% of wholesale price)			...
Idaho	7			5.0
Illinois	9[g]			2-6/7 to 1-1/7[h]
Indiana	6[a]			4.0
Iowa	10[a]	(10% of wholesale price)		5.0
Kansas	8			3.75
Kentucky	2.5			6.0[i]
Louisiana	8	1.20 to 40.00	1¢ to 4¢ per pack[j]	9.0
Maine	10			2.25
Maryland	6			5.0
Massachusetts	10			0.625 to 2.5[k]
Michigan	7			1.0[l]
Minnesota	8[a]	(10% of wholesale price)		3.25[m]
Mississippi	9	1.80 to 25.20	1-1/8¢ of each 5¢ of retail price	8.0
Missouri	4			3.0
Montana	8			8.0[n]
Nebraska	8			5.0
Nevada	7			4.0
New Hampshire	(30% of normal retail price)			3.5%
New Jersey	11			2.5
New Mexico	8[o]			4.0[p]
New York	10			1.44[q]
North Dakota	8[a]	11% of wholesale price		5.0[r]
Ohio	7			3.33[s]
Oklahoma	8	$4.00 to $20.00	25% of factory list price	4.0
Oregon	4			4.175
Pennsylvania	13			3.0
Rhode Island	8			3.0
South Carolina	5	1.00 to 10.00	1¢ of each 5% of retail price	5.0
South Dakota	8[a]			4.0
Tennessee	8	1.00 to 13.50	6% of wholesale price	4.15
Texas	11	1.00 to 15.00	25% of factory list price	2.25
Utah	8[a]	(25% manufacturer's sales price)		4.0
Vermont	10	(20% of wholesale price)		2.0, 3.2[t]
Virginia	2.5			5.0
Washington	11	(30% of wholesale price)		1.68[u]
West Virginia	6			4.0
Wisconsin	10[a]			2.4
Wyoming	8[v]			6.0[l]

Source:

Commerce Clearing House. State Tax Guide. New York: the House. Data as of January 1, 1968.

a/ The tax rate shown applies to cigarettes of standard length and weight. Footnote a/ designates those states with varying tax rates on cigarettes depending on length and/or weight.

b/ Rates continue to increase at 3 cents for each additional ounce or fraction thereof over 4 ounces.

c/ Rate increases to 10¢ per package effective March 22, 1968.

d/ Effective October 1, 1967.

e/ The discount rate in excess of 2 million stamps purchased in any one fiscal year is 3.5% of par value.

f/ Depending on the volume of cigarettes sold. Present limitation is 3.5¢ per package.

g/ Effective August 1, 1967.

h/ Depending on volume sold.

i/ For each $3 worth of stamps purchased, the purchaser receives an additional 18 cents worth of stamps.

j/ Plus 1.33 cents for each additional 5 cents of retail price above 15 cents per package.

k/ Licensees other than retailers are allowed a discount at the following rates: chain store operators, 5/8 of 1%; vending machine operators, 1-1/4%; and wholesalers, 2-1/2%. No deduction is allowed on sales of less than $100.

l/ Allowed to wholesalers.

m/ A discount of 2.5% is allowed on stamp purchases in excess of $150,000.

n/ A discount is applicable to the permanent levy of 6% per pack only; the other 3¢ of the tax is veterans' bonus levy.

o/ Rate increases to 12% effective July 1, 1968.

p/ A graduated discount is now in effect, ranging from 4 percent of stamp purchases down to 2 percent. No discount is allowed on any sale under $1,000 of stamps purchased.

q/ The discount rate is 1.22% of par value of stamp purchases in excess of $600,000 per year.

r/ 5% on the first $100,000 of stamps purchased and 4% on the excess.

s/ Discount rate is applicable to 6/7 of tax value regardless of amount of sales.

t/ The 3.2% discount rate applies to cigarette stamps only; a discount of 2% is allowed on other tobacco products.

u/ The discount applies to cigarette stamps only, at the rate of 2.0% on the first 8 cents of tax per pack, 1% on the next 2 cents of tax per pack, and 1/2 of 1% on the last additional 1¢ tax.

v/ Effective July 1, 1967.

TABLE 9.--STATE ALCOHOLIC BEVERAGES TAX RATES

State	Distilled spirits (per gallon)	Wines (per gallon)	Malt beverages (per draught gallon)
1	2	3	4
Alabama	(——30% of selling price[a]/——)		$.426
Alaska	$4.00	$ .60	.25
Arizona	1.44	.42	.08
Arkansas	2.50[b]/	.75[b]/	.20[c]/
California	2.00	.01, .02[d]/	.04
Colorado	1.80	.20, .30	.06
Connecticut	2.00	.20, .50	.066
Delaware	.90, 1.15	.80	.063
Florida	2.52, 5.04[e]/	1.15, 1.60, 2.30[f]/	.32
Georgia	3.75, 5.25[f]/	1.00, 2.00[f]/	.31
Hawaii	(————20% of wholesale price————)		
Idaho	(————10% of surcharge————)		.15
Illinois	1.52	.23, .60[f]/	.06
Indiana[g]/	2.08	.40	.088
Iowa	(——15% of established price——)		.12
Kansas[h]/	1.50	.20, .50	.12
Kentucky	1.28	.50	.08
Louisiana	1.68	.11, .21	.317
Maine	[a]/	.24, .75[f]/	.25[f]/
Maryland	1.50	.20	.03
Massachusetts[i]/	2.95	.40, .50	.076
Michigan	8% of retail price[a]/	.50[f]/	.203
Minnesota	2.875[j]/	.20, .60, 1.20	.05, .10[d]/
Mississippi	2.50[k]/	.35[l]/	.427[l]/
Missouri	1.20	.15	.03
Montana	(——16% of retail price[a/m]/——)		$.048
Nebraska	1.60	$ .20, .55	.08
Nevada	1.40	.30, .50	.06
New Hampshire	[a]/	[a]/	.12
New Jersey	1.80	.10	.033
New Mexico	1.50, 2.40	.40	.08
New York	.50, 1.50	.10	.033
North Carolina	12% of retail price	.60, .70	.333
North Dakota	2.50, 4.05	.50, .60	.08, .16[n]/
Ohio	[a]/	.12, .30	.079
Oklahoma	2.40	.36, .50	.323
Oregon	[a]/	.23[o]/	.042
Pennsylvania	(—18% of net selling price[a/p]/—)		.08
Rhode Island	2.00	.20	.048
South Carolina	2.72	1.08[f]/	.45
South Dakota[q]/	1.25, 2.50	.25, .50	.13, .25
Tennessee[r]/	4.00	1.10	.11
Texas	1.68	.13, .26	.137, .165
Utah	(—8% of retail selling price[a]/—)		.035, .127
Vermont	5.10[a]/	.20, 1.20[a]/	.20
Virginia	10% of sales price[a]/	.35	.019
Washington	[a]/	.10[a/f]/	.032, .048[s]/
West Virginia	[a]/	[a]/	.17
Wisconsin	2.25	.17, .34	.032
Wyoming	.80[a]/	.24[a]/	.02

Source:

Commerce Clearing House. State Tax Guide. New York: the House. Data are as of January 1, 1968.

Note: The tax rates on beer are usually reduced from a per-barrel rate to a per-gallon rate. When not otherwise specified in the law, one barrel = 31.5 gallons.

a/ Monoply State. Tax rates are in addition to any state price markup.

b/ An additional 3% tax is levied on the retail sales price.

c/ An additional tax of $5 per barrel of 32 gallons is imposed upon all beer sold or offered for sale.

d/ There is a division of rates of specified alcoholic content where more than one tax rate is given. The alcoholic content so specified varies among the states. The usual critical percentages are: distilled spirits, 50% with the exception of Delaware and New York, which are near 25%; beer, 3.2-4.0%.

e/ Beginning June 1, 1968, rate increases to $3.75, $7.50.

f/ Discriminatory tax rates in favor of local products are used. Tax rates given are not on local products.

g/ Includes original tax with additional enforcement tax and another extra levy.

h/ In addition, an enforcement tax of 4.0% of gross receipts is levied.

i/ In addition, a tax of 1/2 of 1% of gross receipts is levied.

j/ Includes a surtax of 15% levied until June 30, 1969.

k/ State prohibition law is enforced except in those counties voting for the legalized sale of liquor.

l/ An excise tax of $.427 per gallon is levied on wholesalers or distributors of light wines or beers.

m/ In addition to the alcoholic beverage tax of 16% the state levies a license tax of 4% of retail selling price.

n/ The tax on beer sold in bulk containers is .08 per gallon; in bottles and cans, .16.

o/ Tax rate shown is on wines not more than 14% alcohol by volume.

p/ Taxes are also imposed on manufacturers and importers at $1.00 per gallon of distilled spirits and $.005 per gallon of wines.

q/ In addition, a tax of 10% is imposed upon the gross receipts of all intoxicating liquor except high point beer.

r/ In addition taxes on the wholesale price of beer and alcohol are imposed.

s/ Higher rate on canned and bottled beer.

TABLE 10.--STATE GASOLINE TAX RATES[a/]

State	Rate per gallon
1	
Alabama	7 ¢
Alaska	8
Arizona	7
Arkansas	7.5
California	7
Colorado	6
Connecticut	7
Delaware	7
Florida	7
Georgia	6.5
Hawaii[b/]	5[b/]
Idaho[c/]	6
Illinois	6
Indiana	6
Iowa	7
Kansas	5
Kentucky	7
Louisiana	7
Maine	7
Maryland	7
Massachusetts	6.5
Michigan	7
Minnesota	7
Mississippi	7
Missouri	5
Montana	6.5
Nebraska	7.5
Nevada	6
New Hampshire	7
New Jersey	6
New Mexico	7
New York	6
North Carolina	7
North Dakota	6
Ohio	7
Oklahoma	6.58
Oregon	7
Pennsylvania	7
Rhode Island	7
South Carolina	7
South Dakota	6
Tennessee	7
Texas	5
Utah	6
Vermont	6.5
Virginia	7
Washington	9
West Virginia	7
Wisconsin	7
Wyoming	6

Source:
Commerce Clearing House. State Tax Guide. New York: the House. Data as of January 1, 1968.

a/ Rates of general state application exclusive of municipal taxes.

b/ State rate except in Hawaii County where state rate is 8¢.

c/ Rate increased to 7¢ per gallon from January 1, 1968, through December 31, 1969.

be added to the current privilege tax. The additional privilege tax will expire after four full years of application. The gasoline tax in Illinois was increased from 5¢ to 6¢. Michigan increased the rate of taxes on gasoline, diesel fuel, liquified petroleum gas, and marine fuel from 6¢ to 7¢, but repealed a separate additional tax of 1-1/2¢ already included in the basic rate. Persons operating passenger vehicles holding 10 or more and operating under a municipal franchise are given an increased refund from 1-1/2¢ to 4¢ a gallon. The Minnesota gasoline tax rate was raised from 6¢ to 7¢ a gallon. A road tax was also levied on motor carriers and was calculated on the amount of motor fuel used; the rate of the tax is the same as that applicable to the purchase of the same motor fuel in Minnesota. The Minnesota legislation further provided that carriers must purchase a license or trip permit, at $10 and $5, respectively.

Montana raised the gasoline tax rate from 6¢ to 6-1/2¢ a gallon; a limitation to the first 6¢ of the tax was made on the amount the dealer may deduct for evaporation or other loss. New Mexico increased the excise tax on motor fuel and special fuel from 6¢ to 7¢; the previous authorization allowing municipalities to tax gasoline at 1¢ was repealed, however. The gasoline, aircraft, and use fuel taxes were increased in Oregon from 6¢ to 7¢. Washington increased the motor vehicle fuel tax, the use fuel tax, and the motor vehicle fuel importer use tax from 7-1/2 to 9¢ per gallon. A new excise tax of 2¢ per gallon was levied on aircraft fuel in Washington; the tax became effective July 30, 1967. Wyoming raised the state gasoline tax from 5¢ to 6¢ by imposing an additional tax of 1¢ per gallon; airplane gasoline was excluded.

In further actions, Montana added motor boats to the list of uses entitling gasoline buyers to refunds of gasoline license tax. New Mexico, however, provided that excise taxes on motor boat fuel would not be refunded. As stipulated by Nebraska legislation, the amount of motor fuel which may be brought into the state in a truck or bus supply tank without tax payment is raised from 20 to 30 gallons.

The current gasoline tax rates range from 5 to 9¢ per gallon. The most frequently used rate is 7¢ per gallon; 26 states levy this rate on gasoline. Only four states and the counties of Hawaii have higher rates. The highest rates are found in Washington at 9¢, in Alaska at 8¢, and in Arkansas and Nebraska at 7-1/2¢. The county rates in Hawaii range from 8.5 to 11¢ per gallon. Rates for all states are shown in Table 10.

The current distribution of rates among the states (excluding the Hawaiian counties) is as follows:

Rates (cents per gallon)	Number of states
5.0	4
6.0	11
6.5	4
6.58	1
7.0	26
7.5	2
8.0	1
9.0	1
Total	50

Individual Income Taxes

Again in 1967, as in the 1965 legislative, Nebraska passed what has proved to be its frequently ill-fated income tax. The income tax passed in 1965 was scheduled to take effect in 1966, but was defeated by the voters of Nebraska in a referendum; such action had reconfirmed the state's position as one of two states which had neither a personal income tax nor a general sales and use tax.

The legislature hopes the new tax will have a longer life than the previous tax. The people, however, may yet have the final word. The Nebraska voters have filed a petition proposing a constitutional amendment that will appear on the ballot in the general election November 5, 1968. The new tax did become effective July 1, 1968, however, and will be levied at a rate of 10% of federal adjusted income tax liability. According to the provisions of the legislation, withholding and declarations of estimated tax are required, and the provisions of the uniform division of income for tax purposes act are adopted for the allocation and apportionment of income. Credits or refunds for sales taxes paid are allowed for Nebraska residents.

Michigan also joined the ranks of the income tax states by enacting a new personal income tax in 1967. The Michigan tax is levied at a flat rate of 2.6 percent and became effective October 1, 1967. As with the Nebraska tax, the new Michigan tax is based on federal law and provisions of the uniform division of income for tax purposes act adopted for allocation and apportionment of income. Withholding and declarations of estimated taxes are also required. As part of a comprehensive tax reform package, the income tax legislation provided property tax relief in the form of sliding-scale credits allowed for Michigan property taxes paid; similar credits are allowed for income taxes paid to cities in the state. These credits, however, cannot exceed the state income tax liability.

The enactments of personal income taxes in 1967 by Nebraska and Michigan leave 12 states with no personal income tax. They are Connecticut, Florida, Illinois, Maine, Nevada, Ohio, Pennsylvania, Rhode Island, South Dakota, Texas, Washington, and Wyoming. In New Hampshire and Tennessee, however, the tax applies only to interest income and dividends. In New Jersey the tax is limited to income derived within its borders by New York residents and from New York sources by New Jersey residents; New Jersey residents are allowed a credit for income taxes paid to New York.

The Advisory Commission on Intergovernmental Relations has recommended that the states which have no personal income tax might do well to adopt such a tax and that those who have the tax should utilize it more effectively. "The personal income tax," according to the Commission, "represents the last under-utilized major revenue source for many states. One third of the states, including some in the most industrialized high-income sections of the country, do not tax personal incomes at all and another third tax them at relatively low effective rates."4/

In other state legislative actions during 1967, six states increased personal income tax rates; Maryland changed from a flat-rate to a graduated-rate tax, and Minnesota extended the present rates which were due to expire. Arizona increased the individual income tax rates to a range of 2 percent on the first $1,000 of taxable income to 8 percent on taxable income over $7,000; previously, the range was from 1.3 percent on the first $1,000 to 5.9 percent on the taxable income over $7,000. California increased its rate in individual income to a range of 1 percent on taxable income not over $2,000 (formerly $2,500) to 10 percent on taxable income over $14,000 (formerly 7 percent on taxable income in excess of $15,000). Iowa raised the rate of personal income tax 3/4 of 1 percent on taxable income over $7,000; the effective rates are as follows: 4-1/2 percent (previously 3-3/4 percent) on taxable income over $7,000 but less than $9,000; and 5-1/4 percent (previously 4-1/2) on taxable income over $9,000.

The Maryland legislature replaced a flat-rate personal income tax with a graduated personal income tax based on federal adjusted gross income. For calendar year 1967, taxpayers are allowed a credit against tax liability equal to 5 percent of the tax liability. Authorization for the imposition of local income taxes by the counties and Baltimore City was also provided, but the presently authorized local income taxes were repealed. Massachusetts raised its income tax rates from 7.38 percent to 8 percent on interest and dividends, from 3.075 percent to 4 percent on business income, and from 7.38 percent to 8 percent on net capital gain. Montana raised income tax rates from a range of 1.1 percent on taxable income up to $1,000 to 7.9 percent on income over $7,000, to rates ranging from 2 percent on income up to $1,000 to 10 percent on income over $25,000; however, the legislation also provided taxpayers with a credit of 5 percent of the tax computed. Minnesota passed legislation to continue the present personal income tax rates of a minimum tax of 1 percent on the first $1,000 of gross income imposed on individuals; these rates had been scheduled to expire after 1967, but with this legislation were continued through 1969.

In other state legislative actions during 1967, Vermont amended its personal income tax by imposing it at a rate of 25 percent of the federal income tax liability of the taxpayer for the taxable year; the rate is reduced by a percentage equal to the percentage of the taxpayer's adjusted gross income for the taxable year which is not income earned in Vermont. In addition, a credit is allowed for the following year's tax for 106 percent of the amount of the tax liability in excess of "what liability would have been had the federal base used in arriving at the Vermont tax liability been determined in accordance with the federal Internal Revenue Code in effect on January 1, 1967, instead of the federal statute in effect for the year for which

4/ Advisory Commission on Intergovernmental Relations. 1967 State Legislative Program. (M33) Washington, D.C.: the Commission, September 1966. p. 6.

the return is filed." Michigan proposed a constitutional amendment to allow the state and subdivisions to levy a graduated income tax. Montana adopted the federal provisions for determining the taxable year and more clearly defined "net income" for Montana tax purposes. Idaho, Indiana, Iowa, North Dakota, and Wisconsin updated the definition of the Internal Revenue Code. North Dakota also provided for its income tax to be based on federal taxable income.

Among the states making revisions in personal income tax provisions was California which substituted tax credits for the personal exemptions previously allowed; tax credits were provided in the following amounts: $25 for single individuals, $50 for head of household or married individual, $8 for each dependent, plus $8 for a blind taxpayer or spouse. A tax credit of $10 was allowed for an estate and $1 for a trust. Hawaii limited the tax credits allowed against personal income taxes to resident taxpayers only; tax credits allowed for students in higher education and for children in kindergarten through grade 12 were also made applicable to residents only. Indiana provided for a credit for 50 percent of contributions to institutions of higher education in the state; the credit, however, is limited to 20 percent of the tax or $50 for individuals, whichever is less, and to 5 percent of the tax or $500 for corporations, whichever is less. Sales tax credits allowed against the adjusted gross income tax were increased in Indiana; credit allowed for sales taxes on food and drugs was increased from $6 to $8. Iowa increased from $7.50 to $10 the amount of tax credit allowed for dependents, and provided credits for sales taxes paid by residents having taxable incomes of less than $7,000. Maryland enacted legislation to allow deductions on calendar year 1967 returns for local income and earnings taxes paid to Maryland political subdivisions in 1966 and 1967.

Massachusetts reduced from 100 percent to 50 percent the amount of federal income tax liability deductible from the business income of individuals. Exemptions were also increased for dependents, a spouse who was not the dependent of another taxpayer, and for a taxpayer 65 or over from $400, $500, and $500, respectively, to $600 for each. Minnesota provided an exclusion from gross income for wages or salaries taxable in another state of residence, or credit against Minnesota tax for tax paid in the state of residence if similar credit or exclusion is allowed by the other state. Minnesota residents will not be allowed a credit for taxes paid another state unless the other state allows similar credit for tax paid Minnesota by Minnesota residents. In addition, Minnesota extended the provisions of the income tax to allow continued income tax credits for two years (taxable years beginning prior to January 1, 1970). A limited credit for Minnesota property taxes or rent constituting property taxes accrued was provided for persons 65 or over who lived in Minnesota the entire year; the credit, or (where credit exceeds income tax due), the direct payment, applies to property taxes for 1967 and subsequent years.

North Carolina increased the personal exemption allowed for dependents from $300 to $600 and provided an additional $600 exemption for each dependent who is a full-time college or university student. Persons 65 or over on or before the final day of the taxable year, are allowed a $1,000 personal exemption in addition. Oregon provided that federal tax resulting from an increase in rates after November 1, 1967, would not be deductible for purposes of the Oregon individual income tax. The deduction, effective for tax years beginning on or after January 1, 1968, and ending not later than November 30, 1970, is limited to the lesser of the federal taxes actually paid for the tax year or the amount obtained by "applying the federal tax rates in effect on November 1, 1967, to federal taxable income for the tax year and subtracting any federal income tax credits utilized." Utah gave taxpayers over the age of 65 an additional income tax liability exemption; the exemption will be $200 for 1968, $400 for 1969, and $600 for 1970 and subsequent years. A similar exemption extends to the spouse of the taxpayer who is 65 or over, has no gross income, and is not the dependent of another taxpayer.

Other legislative amendments to state income tax laws in 1967 dealt with reporting requirements, time of payment, and exemptions. The chief provisions of indivudal income tax laws are given by state in Tables 11 and 12.

Corporation Net Income Taxes

Corporation taxes are now imposed by 40 states. During 1967, three states--Michigan, Nebraska, and West Virginia--enacted new corporate income taxes, and nine states increased their corporate income tax rates. Minnesota also extended corporate additional taxes and surtaxes.

The Michigan corporate income tax was levied at 5.6 percent of net income on corporations other than financial corporations and at 7 percent on financial institutions. The tax became effective January 1, 1968. Additional provisions of the new personal income tax also apply to the new corporate tax (see previous section). Nebraska imposed a corporate income tax at a rate of 2 percent of net income (20 percent of the individual rate) based on federal law. Corporations engaging in intrastate business are subject to a franchise tax measured by net income, but the tax on corporations which conduct only foreign or interstate commerce is a direct net income tax. National banking associations are also levied a tax measured by net income. As with the new personal income tax, the provisions of the uniform division of income for tax purposes are adopted with respect to the allocation and apportionment of income. Withholding and declarations of estimated tax are required for the corporate income tax as well as the individual income tax. West Virginia levied its new corporate net income tax at a 6 percent rate. Effective July 1, 1967, the tax applies to domestic and foreign corporations doing business in the state or deriving income from property or other sources within the state. The new tax is based on federal taxable income with adjustments. According to the legislation, provisions similar to those of the uniform division of income for tax purposes act will be used by taxpayers taxable in West Virginia and another state to allocate

TABLE 11.--STATE INDIVIDUAL INCOME TAX RATES

State	Range of rates (percent of taxable income)	Minimum rate on taxable income of:	Maximum rate on taxable income over:	State	Range of rates (percent of taxable income)	Minimum rate on taxable income of:	Maximum rate on taxable income over:
1	2	3	4	1	2	3	4
Ala.	1.5%-5%	$ 1,000	$ 5,000	Miss.	2.0%-3.0%	$ 5,000	$ 5,000
Alaska	(——16% of federal income tax[a]——)			Mo.	1.0-4.0[f]	1,000	9,000
Ariz.	2.0-8.0	1,000	6,000	Mont.[g]	2.0-10.0	1,000	25,000
Ark.	1.0-5.0	3,000	25,000	Neb.	(———10% of federal income tax[h]——)		
Calif.	1.0-10.0	2,000	14,000	N.H.	4.25% on interest and dividends only		
Colo.	3.0-8.0[b]	1,000	10,000	N.J.[i]	2.0-10.0	1,000	15,000
Del.	1.5-11.0	1,000	100,000	N. Mex.	1.5-6.0	10,000	100,000
Ga.	1.0-6.0	1,000	10,000	N.Y.	2.0-14.0[j]	1,000	23,000
Hawaii[c]	2.25-11.0	500	30,000	N.C.	3.0-7.0	2,000	10,000
Idaho	2.5-9.0[d]	1,000	5,000	N. Dak.	1.0-11.0	3,000	15,000
Ind.	(——2% of adjusted gross income——)			Okla.[c]	1.0-6.0	1,500	7,500
Iowa	0.75-5.25	1,000	9,000	Oreg.	3.0-9.5	500	8,000
Kans.	2.0-6.5	2,000	7,000	S.C.	2.0-7.0	2,000	10,000
Ky.	2.0-6.0	3,000	8,000	Tenn.	6.0% on interest and dividends only		
La.	2.0-6.0	10,000	50,000	Utah	2.0-6.5	1,000	5,000
Md.	2.0-5.0	1,000	3,000	Vt.	(———25% of federal income tax———)		
Mass.[c]	[e]	[e]	[e]	Va.	2.0-5.0	3,000	5,000
Mich.	(—2.6% of adjusted gross income—)			W. Va.	1.2-5.5	2,000	200,000[k]
Minn.	1.5-12.0	500	20,000	Wis.[c]	2.7-10.0	1,000	14,000

Source:

Commerce Clearing House. State Tax Guide. New York: the House. Data as of January 1, 1968.

a/ Percent of federal rates effective on December 31, 1963.

b/ A surtax of 2% is levied on intangibles income over $5,000.

c/ Hawaii, Massachusetts, Oklahoma, and Wisconsin allow credits for taxes paid in other states for income earned in another state.

d/ Each person (husband and wife filing jointly considered one person) filing return required to pay excise tax of $10.

e/ Tax is 4% on business income, 2% on income from annuities, 8% on interest and dividends income, 8% on capital gains on intangibles.

f/ Less tax credits in each bracket, except the first, from $5 to $135.

g/ After computing tax, taxpayers may subtract 5% of the tax due.

h/ Effective for income earned on or after January 1, 1968.

i/ The tax is applicable only to income derived from New Jersey sources of New York residents and from New York sources of New Jersey residents. New Jersey residents are allowed a credit for income tax paid to New York.

j/ Unincorporated businesses are taxed at a permanent rate of 5.5%.

k/ The same progression of rates applies to brackets twice as large in the case of a joint return or a return of a surviving spouse.

nonbusiness income; however, business income will be apportioned by a property and payroll two-factor apportionment formula. Tax credits are allowed for business and occupation taxes and for privilege taxes paid on utilities.

In 1967, at least nine states increased their corporate income tax rates. Arizona increased corporate taxes rates to range from 2 percent on the first $1,000 of taxable income to 8 percent on taxable income over $6,000; formerly, the rates ranged from 1.3 percent on the first $1,000 of taxable income to 6.6 percent on taxable income over $6,000. California increased its tax on corporations other than financial corporations from 5.5 percent to 7 percent, and the tax on banks and financial corporations was increased from 9.5 percent to 11 percent. By increasing the additional corporate income tax rate for the port authority fund from 1/2 of 1 percent to 3/4 of 1 percent, Maryland raised its total effective corporate tax rate from 5 percent to 5-1/4 percent for 1967; corporations operating on a calendar-year basis will pay the increase on one-half of 1967 net income; corporations operating on a fiscal-year basis will be allowed to prorate the tax for the part of the fiscal year falling after July 1, 1967. Massachusetts raised its tax rate on domestic and foreign business or manufacturing corporations from 6.765 percent of net taxable income, plus $6.15 on each $1,000 of taxable tangible property to 7-1/2 percent of net taxable income, plus $7 on each $1,000 of taxable tangible property (or net worth allocable to Massachusetts if intangible property corporation). The tax on the portion of net income of corporations engaged exclusively in interstate or foreign commerce that is derived from business carried on within the state will be increased from 3.075 percent to 4 percent.

TABLE 12.--STATE INDIVIDUAL INCOME TAX PROVISIONS

State	Personal exemptions and credits			Additional exemptions		Tax is withheld	Federal income tax deductible	Federal income used as state tax base
	Single	Married	Dependents	Aged	Blind			
1	2	3	4	5	6	7	8	9
Alabama	$1,500	$3,000	$ 300	...	...	X	X	...
Alaska	600	1,200	600	$ 600	$ 600	X	...	X
Arizona	1,000	2,000	600	1,000	500	X	X	...
Arkansas[a]	17.50	35	6	...	...	X	...	...
California[a]	25	50	8[b]	[b]	8	X[c]	...	...
Colorado	750	1,500	750	750	750	X	X	X
Delaware	600	1,200	600	600	600	X	X[d]	...
Georgia	1,500	3,000	600	600	600	X	...	...
Hawaii	600	1,200	600	...	5,000	X	...	X
Idaho[e]	600	1,200	600	600	600	X	X	X
Indiana	1,000	1,000-2,000[f]	500	500	500	X	...	X
Iowa[a]	15	30	10	15	15	X	X	X
Kansas	600	1,200	600	600	600	X	X	X
Kentucky[a]	20	40	20	20	20	X	X	X
Louisiana	2,500	5,000	400	...	1,000	X	X	...
Maryland	800	1,600	800	800	800	X	...	X
Massachusetts[g]	2,000	4,000[h]	400	600	2,000	X	X[i]	...
Michigan	1,200	2,400	1,200	1,200	1,200	X	...	X
Minnesota[a]	19	38	19	20	20[j]	X	X	X
Mississippi	5,000	7,000	...	...	...	...	...	...
Missouri	1,200	2,400	400	...	...	X	X	...
Montana	600	1,200	600	600	600	X	X	X
Nebraska[k]	600	1,200	600	600	600	X	X	X
New Hampshire	600	600	...	...	...	...	...	...
New Jersey[l]	600	1,200	600	600	600	X[b]	...	X
New Mexico	600[m]	1,200[m]	600	600	600	X	X	X
New York[n]	600	1,200	600	600	600	X	...	X
North Carolina	1,000	2,000	600	...	1,000	X	...	...
North Dakota	600	1,200	600	600	600	X[b]	X	X
Oklahoma	1,000	2,000	500	...	...	X	X	...
Oregon	600	1,200	600	[o]	600[a]	X	X	...
South Carolina	800	1,600	800	800	800	X	X[d]	...
Utah	600	1,200	600	[p]	1,200	X	X	...
Vermont	600	1,200	600	600	600	X	...	X
Virginia	1,000	2,000	300	600	600	X	...	...
West Virginia[r/q]	600	1,200	600	600	600	X	...	X
Wisconsin[a]	10	20	10	15	...	X	...	X

Source:

Commerce Clearing House. State Tax Guide. New York: the House. Data as of January 1, 1968. a/ Personal exemptions and credits for dependents are allowed in the form of credit against the tax. b/ Dependent must be under 18 years of age, or a student, or have an income of less than $600. Although no age is specified, retired persons may receive a tax credit in an amount equal to the amount received as retirement income multiplied by the rate of tax for the first $2,000; however, credit may not exceed the reduction allowed for taxes paid to other states and the credit allowed for personal exemption and earned income of $600 for any 10 preceding years is required to qualify for the credit. c/ Withholding is for nonresidents only. d/ Deductions limited. e/ Idaho also provides for a credit against the tax of $10 per exemption. f/ When a joint return is filed, each spouse may deduct up to $1,000 of his adjusted gross income. g/ Applicable to business income (earnings from employment, profession, trade, or business). There is also an exemption of up to $2,000 of nonbusiness income if taxpayer's total income does not exceed $2,000 or spouses' combined income does not exceed $2,500. h/ A $500 exemption is allowed for spouse whose total income from all sources does not exceed $2,000. If business income is reported by both spouses, a $2,000 exemption is allowed plus business income of spouse with smaller income, or $4,000, whichever is less. i/ Limited to taxes paid on professional or business income. j/ $25 for married persons; $20 for single blind person. k/ Tax not applicable for income earned after January 1, 1968. l/ A $600 exemption is allowed on each income taxable, The state has a tax on dividends and interest only. See Table 11, footnote g/ for taxpayers required to file return. Tax credits are also allowed: single taxpayers receive $10 credit; and joint returns, head of household, or surviving spouse, $25. m/ No tax on income for married taxpayer filing a joint return or individual taxpayer with dependent if net income is $1,500 or less. n/ Single taxpayer is granted tax credit of $10; joint return, head of household or surviving spouse allowed $25 credit on tax. o/ The following tax credits are also allowed: $18 for blind taxpayer or spouse and $12 for taxpayer or spouse if age 65 or older. p/ For 1968, taxpayers over age 65 will be allowed an additional exemption of $200, increasing to $400 for 1969 and $600 thereafter. q/ A credit is allowed for the liability of the taxpayer under the business and occupation tax, and for the transportation privilege tax.

Minnesota enacted legislation to increase the basic corporation income tax from 7.5 percent to 8.5 percent for taxable years commencing after December 31, 1966, and before January 1, 1970. Minnesota also extended for three years in addition, 1.8 percent additional tax and a 10 percent surtax levied on corporations other than banks; the tax was to apply only for taxable years beginning before January 1, 1967, but was extended to apply to taxable years beginning before January 1, 1970. The corporation license (income) tax rate in Montana was increased from 5-1/4 percent to 5-1/2 percent, effective February 28, 1967. In Pennsylvania, the corporate net income tax and the corporation income tax rates were raised from 6 percent to 7 percent; such increase applies to calendar years beginning January 1, 1967, and January 1, 1968. For income received during calendar year 1969 and thereafter, the tax increases to 7.5 percent from 7 percent. The amount required as prepayment of tax was also increased so that the required 80 percent prepayment would be maintained. Tennessee increased the tax rate on corporate earnings from 4 percent to 5 percent, effective for fiscal years ending on or later than May 1, 1967. The Tennessee legislation also provided that corporations could carry the losses of the current year forward two years when computing net income subject to the tax.

In other legislative actions relating to corporate income taxes, Iowa replaced its former 4 percent flat rate tax with graduated rates. The new rates, effective for taxable years ending after January 1, 1967, are as follows: 4 percent on taxable income up to $25,000; 6 percent on taxable income of $25,000 to $100,000; and 8 percent on taxable income over $100,000. For taxable years beginning before January 1, 1967, but ending after that date, the increased rates will be prorated according to the number of months in the fiscal year falling after January 1, 1967. North Carolina adopted federal taxable income as the base for the state corporation income tax and revised the allocation and apportionment of income provisions to adopt the provisions of the uniform division of income for tax purposes act. Rhode Island postponed until June 30, 1968, the effective date of the 10 percent surtax on the business corporation tax of manufacturers whose inventories were exempted from the personal property tax; the tax had been scheduled to become effective June 30, 1967. A 7 percent tax on the net income of building and loan associations was postponed from July 1, 1970, to July 1, 1971, by the Tennessee legislature. Until that time the tax will be based on gross income and levied at a 3 percent rate. As provided by the legislation, the alternate tax methods for the intervening years will be revised as follows: 7 percent of net income or 74 percent (previously 65 percent) of the 3 percent gross income tax for the tax imposed July 1, 1967; 7 percent of net income or 67 percent (previously 56.5 percent) of the gross income tax for the tax imposed July 1, 1968; and 7 percent of net income or 61 percent (previously 50 percent) of the gross income tax for the tax imposed July 1, 1969. The tax to be levied on July 1, 1970, will be imposed at 7 percent of net income or 50 percent of the gross income tax.

Of the 40 states taxing corporate income, only 12 allow the deduction of federal income tax payments, including two which allow such a deduction on a limited basis. Thirty-two states impose the corporate income taxes at a flat rate. Graduated rates, at a range of at least two steps, are in effect in eight states. In seven of the eight states taxing corporations at graduated rates, the highest bracket begins at or below the $25,000 level; however, in the remaining state (Iowa) the lowest bracket begins at $25,000 or below and the highest at $100,000 down to the $75,000 level. Details of the corporate income tax rates and provisions appear in Table 13.

Local Sales and Income Taxes

The term "piggy-back" tax has frequently been used to denote a supplementary tax which states have permitted cities or counties to levy in addition to the tax levied by the state. Increasingly, the tax has been a broad-based local sales tax or a local income tax. Although not common until the 1950's, the local sales tax had been authorized by 10 states by 1963.5/ Local sales taxes are now permitted in 17 states; in 13 of the 17 states, the taxes are the piggy-back taxes administered by the state. Some states, however, have in the past permitted the localities to administer the local sales tax themselves, or to choose state administration.

The Advisory Commission on Intergovernmental Relations, according to its Executive Director, William G. Colman, has advised that states be cautious about extending nonproperty taxing powers to localities. The primary reasons, as stated by Colman, are that (a) nonproperty taxes may be unsuitable for small communities which may lack the facilities needed for their administration; (b) such taxes may have yields insufficient to provide a suitable ratio between labor and other administrative costs as related to yield; and (c) the local taxes "may adversely affect the community's economic position relative to its neighbors, particularly when it is one of many small interdependent units clustered within a large urban complex."6/ Consequently, only large taxing areas may be capable of effectively administering the taxes and thus able to justify their adoptions, according to the Advisory Commission on Intergovernmental Relations.

In spite of the factors that inhibit local sales and income tax adoptions, however, the expansion of such taxes continued in 1967 as it had in 1966. Virginia had enacted enabling legislation in 1966 when it allowed a 1 percent city or county sales tax to be imposed with its newly enacted 2 percent state sales tax. In 1967, both Ohio and Texas authorized local governments to levy sales taxes as supplements to the state tax. Colorado extended the taxing authority to its counties and smaller cities. New Mexico authorized the counties to levy a gross receipts tax in certain cases.

5/ For further discussion and detail see CEF Report No. 14, State Taxes in 1966, May 1967; and, Colman, William G. "Local Taxation." Address given at the National Conference on Local Government Fiscal Policy, Washington, D.C., November 16-19, 1966. Municipal Finance 39: 99-103; February 1967.

6/ Colman, William G., op. cit., p. 102.

Legislation by the Ohio legislature in 1967 authorized the counties to levy a 1/2 of 1 percent sales and use tax as a supplement to the state 4 percent sales tax. The taxes, which are to be collected by the state, would become effective on the first day of the month after 60 days have expired since enactment. In addition to the local sales taxes, counties were authorized to levy a utilities service tax, a motor vehicles license tax, and a realty transfer tax. The utilities service tax rate imposed on nonbusiness customers may not exceed 2 percent and that for business customers may not exceed 3 percent; the first $5 of any month's service charge on utilities was exempted according to the legislation. Authorization to levy a motor vehicle license tax of $5 per vehicle registered in the county was also given to the counties by the enabling legislation. If, however, the county has not levied such a tax by June 30, 1968, municipal corporations may do so. In addition to the enabling legislation above, Ohio authorized townships to impose excise taxes on "transactions involving the furnishing of hotel lodgings to transient guest"; cities or villages may not levy this tax.

Texas authorized cities to impose a 1 percent sales and use tax if such tax is approved by the voters. When imposed, the tax would be collected by the state and would apply to the same property as does the state tax. Exemptions allowed by the state would also pertain to the local sales tax. Colorado granted authority to its counties, second-class cities, and incorporated towns to levy sales taxes; the taxes would be subject to approval by the voters and must be levied at a rate which, when combined with the state tax rate, would not exceed 7 percent. Any tax imposed must be effective on either January 1 or July 1. The New Mexico legislature authorized first-class counties having less than $27,000,000 in assessed valuation and a population of 14,000 to 16,000 (as stated in the 1960 federal census) to levy a gross receipts tax. The rate of the tax, where applicable, would be 1/2 of 1 percent of gross receipts.

Maryland extended the piggy-back concept to the income tax in authorizing counties to levy local income taxes on their residents up to 50 percent of the state tax liability. Although local income taxes are used by eight states, they are widespread in five states (Kentucky, Maryland, Michigan, Ohio, and Pennsylvania). Michigan, which adopted a state income tax in 1967, also provided in the future for a piggy-back local income tax upon agreement between a locality and the state.

In other legislative actions during 1967, rates of existing local taxes were increased in several instances or the coverage was changed. In Illinois, the rates of the municipal retailers' occupation (sales) tax were raised from 1/2 of 1 percent to 3/4 of 1 percent, effective July 1, 1967. Municipalities and counties levying a service and occupation tax were authorized to raise the rate from 1/2 of 1 percent to 3/4 of 1 percent. The tax base was also broadened to conform with recent state tax base changes. Pennsylvania provided that local taxes formerly passed under the local tax enabling act would continue in force from year to year unless changed or repealed. The law had previously required annual re-enactment of all local levies with the exception of the income tax. Another Pennsylvania bill provided that municipalities could decide whether they wished to allow or disallow credits against local income taxes for income taxes paid another state or political subdivision; prior to this enactment, municipalities were required to allow the credits. Louisiana prohibited municipalities and subdivisions from imposing local income taxes on nonresidents.

Consumer and Property Tax Regressivity: Relief by Tax Credits and Refunds

At the same time that states have had to yield to pressures for additional revenues and new government sources by enacting new taxes or increasing existing tax rates, recognition has grown that states must correspondingly effect measures to make consumer and property taxes less regressive.

The measures taken to offset or minimize regressivity found most effective in responding to this need have been the tax credits or refunds. The Advisory Commission on Intergovernmental Relations (ACIR) has advocated such a system of tax credits and refunds or exemptions for necessary food and drug items. With respect to an effective and fairly equitable use of a state sales and use tax, ACIR has urged:

> To insure fairness, some provision is made for "pulling the regressive stinger"--either an outright exemption of food and drug purchases or a system of income tax credits and cash refunds to shield subsistance income from the sales tax collector's reach."7/

Shannon has advocated a combined program of tax relief which specifically includes the tax credit or cash refund (given where the credit exceeds tax liability) allowance. In a speech before the National School Boards Association, Dr. Shannon said,

> To shield basic family income from direct state personal taxation, the state should provide (a) personal income tax exemptions that are at least as generous as the Federal provisions, and (b) sales tax exemptions (food and drug) and preferably sales tax credits or cash rebates. Of the 44 states now imposing general retail sales taxes, 15 states specifically exempt food purchases and six states now use cash rebate (negative tax credit) and positive tax credits, thereby substantially reducing the regressivity of this levy.8/

7/ Advisory Commission on Intergovernmental Relations. State and Local Taxes: Significant Features 1968. Commission Report M-37. Washington, D.C.: Government Printing Office, January 1968. p. 6.

8/ Shannon, John. "Bringing Local Needs and State Resources into Closer Alignment--Suggested Checklist." State School Finance Laws Handbook. Proceedings of the 1968 Workshop. Evanston, Ill.: National School Boards Association, 1968. p. 27. Copyright 1968 by the National School Boards Association.

TABLE 13.--STATE CORPORATION NET INCOME TAX PROVISIONS

State	Range of rates	Minimum rate on net income up to:	Maximum rate on net income over:	U.S. income tax deductible	Federal income used as tax base
1	2	3	4	5	6
Alabama	5%	All income	...	X	...
Alaska	18% of federal income tax[a]	...	...	...	X
Arizona	2.0-8.0	$ 1,000	$ 6,000	X	...
Arkansas	1.0-5.0	3,000	25,000	...	...
California	7.0[b]	All income	...	...	...
Colorado	5.0	All income	...	...	X
Connecticut	5.25[c]	All income	...	...	X
Delaware	5.0	All income	...	...	X
Georgia	5.0	All income	...	...	...
Hawaii	5.85-6.435	25,000	25,000	...	X
Idaho	6[d]	All income	...	...	X
Indiana	2[e]	All income	...	...	X
Iowa	4.0-8.0	25,000	100,000	X[f]	X
Kansas	4.5	All income	...	X[f]	...[g]
Kentucky	5.0-7.0	25,000	25,000	X	X
Louisiana	4.0	All income	...	X	...
Maryland	7.0[h]	All income	...	...	X
Massachusetts	7.5[i]	All income	...	...	X
Michigan	5.6	All income	...	...	X
Minnesota	8.5[j]	All income	...	X	...
Mississippi	2.0-3.0	5,000	5,000	...	...
Missouri	2.0	All income	...	X	...
Montana	5.5[k]	All income	...	...	X
Nebraska	2.0	All income	...	...	X
New Jersey	3.25[l]	All income	...	...	X
New Mexico	3.0	All income	...	X	X
New York	5.5[m]	All income	...	...	X
North Carolina	6.0	All income	...	...	X[n]
North Dakota	3.0-6.0	3,000	15,000	X	X
Oklahoma	4.0	All income	...	X	...
Oregon	6.0[o]	All income	...	...	...
Pennsylvania	7.0[p]	All income	...	...	X
Rhode Island	6.0[q]	All income	...	...	X
South Carolina	5.0	All income	...	...	...
Tennessee	5.0[r]	All income	...	...	...
Utah	6.0[s]	All income	...	X	...
Vermont	5.0[t]	All income	...	...	X
Virginia	5.0	All income	...	...	...
West Virginia	6.0[u]	All income	...	...	X
Wisconsin	2.0-7.0	1,000	6,000	X[f]	...

Source:

Commerce Clearing House. State Tax Guide. New York: the House. Data as of January 1, 1968. a/ Percent of federal rate in effect December 31, 1963. Tax rate amounts to 5.4% on income under $25,000 and 9.36% on income over $25,000. b/ Minimum tax is $100. c/ When tax yield would be greater, tax is 2-5/8 mills per dollar of capital stock, surplus, and indebtedness. Minimum tax is $30. d/ Additional $10 tax required for each corporation filing return. e/ Domestic and interstate corporations pay a tax of 2 percent of adjusted gross income from sources within Indiana. f/ Deductions limited. g/ After January 1, 1968, federal taxable income with adjustment will be used. h/ Domestic corporations are allowed credit for franchise tax payments in excess of $25. i/ Corporations are required to pay an excise tax equal to the greater of the following: (a) $7.00 per $1,000 per value of tangible property not taxed locally or net worth allocated to Massachusetts, plus 7.50% of net income; or (b) $100, whichever is greater. j/ An additional 1.8% tax required for taxable years beginning after December 1, 1953, and prior to January 1, 1970. The basic rate and the surtax are increased 10% from January 1, 1961, to December 31, 1970. Minimum tax is $10. k/ Minimum tax is $10. l/ All corporations pay additional tax on net worth. m/ Or a tax on three alternative bases whichever produces the greatest tax: (a) 1 mill per dollar of capital allocated to New York; except 1/4 mill per dollar for cooperative housing corporations and limited-profit housing companies; (b) a formula based on a stated portion (5-1/2% of 30%.) of net income plus compensation of officers and stockholders with a certain percentage of stock; or (c, $100. There is an additional tax of 1/2 mill per dollar of subsidiary capital. n/ Effective for taxable years after January 1, 1967. o/ Financial institutions are taxed at 8%. Minimum tax is $10. p/ Rate increases to 7.5% beginning January 1, 1969. q/ Or 40 cents on each $100 of corporate excess if tax yield is greater. r/ Corporations are also subject to tax on dividends and interest. Insurance companies are allowed credits for gross premium taxes paid. Fees paid by state banks for use by the State Banking Department are credited. s/ Or a tax of not less than 1/20 of 1% of the fair value of tangible property in the state, whichever is greater. Minimum tax is $10. t/ Subject to reduction if there is sufficient surplus in the General Fund. Minimum tax, $25. u/ Effective for taxable years starting after January 1, 1967.

TABLE 14.--RANKING OF POPULATION, INCOME, AND TAX REVENUE

State	Total population[a] July 1, 1967 (thousands)	Ranking	Personal income, 1966[b] Amount (millions)	Per capita	Ranking (per capita)	Total state tax revenue, 1967 Amount (millions)	Per capita	Ranking (per capita)	Total state tax revenue, 1967, as a percent of personal income, 1966 Percent	Ranking
1	2	3	4	5	6	7	8	9	10	11
50 states	197,075,000[c]	...	$577,301	$2,929	...	$31,910	$161.92	...	5.5%	...
Alabama	3,540,000	21	7,254	2,066	47	483	136.46	38	6.7	16
Alaska	273,000	50	907	3,421	8	58	213.07	6	6.4	20
Arizona	1,635,000	34	4,078	2,544	32	298	182.35	14	7.3	12
Arkansas	1,969,000	32	3,931	2,010	49	284	144.18	35	7.2	13
California ...	19,163,000	1	65,002	3,457	6	3,485	181.87	15	5.4	36
Colorado	1,975,000	31	5,700	2,916	20	336	170.00	20	5.9	25
Connecticut ..	2,925,000	24	10,621	3,690	1	457	156.31	27	4.3	45
Delaware	523,000	46	1,811	3,529	3	140	267.93	2	7.7	5
Forida	5,996,000	9	15,410	2,614	29	877	146.23	33	5.7	27
Georgia	4,511,000	15	10,579	2,379	41	668	148.05	32	6.3	23
Hawaii	741,000	40	2,230	3,124	13	220	297.05	1	9.9	1
Idaho	699,000	42	1,704	2,445	37	129	183.88	12	7.6	6
Illinois	10,894,000	4	38,089	3,532	2	1,450	133.13	41	3.8	46
Indiana	4,999,000	12	15,230	3,076	14	771	154.29	29	5.1	39
Iowa	2,753,000	25	8,258	2,992	17	451	163.68	22	5.5	30
Kansas	2,275,000	29	6,511	2,862	24	355	156.12	28	5.5	30
Kentucky	3,191,000	22	7,143	2,246	44	466	145.94	34	6.5	19
Louisiana	3,660,000	19	8,235	2,277	42	695	189.87	9	8.4	3
Maine	973,000	38	2,422	2,477	35	133	136.20	39	5.5	30
Maryland	3,685,000	18	11,573	3,204	12	641	174.07	17	5.5	30
Massachusetts	5,421,000	10	17,675	3,271	9	942	173.85	18	5.3	37
Michigan	8,584,000	7	27,685	3,269	10	1,531	178.33	16	5.5	30
Minnesota	3,582,000	20	10,373	2,904	23	660	184.29	11	6.4	20
Mississippi ..	2,348,000	28	4,153	1,777	50	308	131.14	44	7.4	8
Missouri	4,605,000	13	12,856	2,817	25	615	133.57	40	4.8	44
Montana	701,000	41	1,842	2,623	28	93	132.42	42	5.0	42
Nebraska	1,435,000	35	4,181	2,905	22	136	95.09	50	3.3	50
Nevada	444,000	47	1,507	3,497	4	85	190.89	8	5.6	28
New Hampshire	685,000	43	1,901	2,808	26	66	96.61	49	3.5	48
New Jersey ...	7,004,000	8	23,767	3,445	7	834	119.07	47	3.5	48
New Mexico ...	1,003,000	37	2,390	2,385	39	206	205.15	7	8.6	2
New York	18,335,000	2	63,669	3,497	4	4,056	221.23	4	6.4	20
North Carolina	5,027,000	11	11,321	2,277	42	841	167.25	21	7.4	8
North Dakota .	639,000	45	1,533	2,384	40	91	142.11	36	5.9	25
Ohio	10,462,000	6	31,670	3,056	15	1,158	110.67	48	3.7	47
Oklahoma	2,496,000	27	6,099	2,462	36	401	160.67	24	6.6	17
Oregon	1,999,000	30	5,738	2,908	21	323	161.45	23	5.6	28
Pennsylvania .	11,626,000	3	34,434	2,968	19	1,769	152.19	30	5.1	39
Rhode Island .	901,000	39	2,730	3,047	16	143	159.21	25	5.2	38
South Carolina	2,603,000	26	5,310	2,052	48	396	151.94	31	7.5	7
South Dakota .	674,000	44	1,643	2,420	38	84	124.09	45	5.1	39
Tennessee	3,888,000	17	8,611	2,227	45	514	132.31	43	6.0	24
Texas	10,873,000	5	27,319	2,542	33	1,336	122.86	46	4.9	43
Utah	1,022,000	36	2,502	2,485	34	175	171.66	19	7.0	15
Vermont	416,000	48	1,066	2,595	31	79	189.12	10	7.4	8
Virginia	4,533,000	14	11,641	2,605	30	635	140.07	37	5.5	30
Washington ...	3,089,000	23	9,797	3,222	11	776	251.10	3	7.9	4
West Virginia	1,798,000	33	3,937	2,176	46	282	156.65	26	7.2	13
Wisconsin	4,188,000	16	12,390	2,973	18	921	219.93	5	7.4	8
Wyoming	315,000	49	874	2,739	27	58	183.37	13	6.6	17

Sources:

U.S. Department of Commerce, Bureau of the Census. State Tax Collections in 1967. Series GF-No. 16. Washington, D.C.: Government Printing Office, November 1967. p. 6, 7. Estimates of the Population of States: July 1, 1966 and 1967. Current Population Reports, Series P-25, No. 373. Washington, D.C.: Government Printing Office, September 5, 1967. U.S. Department of Commerce, Office of Business Economics. "Personal Income Slows in Nearly All Regions in Early 1967." Survey of Current Business 47: 8; August 1967.

a/ Includes persons stationed in the Armed Forces in each area.

b/ Estimated personal income is for the calendar year.

c/ Figure excludes District of Columbia which has a population of 809,000.

TABLE 15.--RELATION OF SELECTED ITEMS OF STATE AND LOCAL GOVERNMENT FINANCE TO PERSONAL INCOME, BY STATE: 1966

State	General revenue from own sources			General expenditure on local education			Property tax revenue		
	Amount per $1,000 of income	Effort relative[a/]	Rank	Amount per $1,000 of income	Expenditure relative[a/]	Rank	Amount per $1,000 of income	Effort relative[a/]	Rank
1	2	3	4	5	6	7	8	9	10
50 states and D.C. ...	$131.38	100	...	$47.15	100	...	$46.36	100	...
Alabama	129.77	99	28	47.27	100	30	17.42	38	51
Alaska	149.44	114	18	65.25	138	4	21.94	47	48
Arizona	160.01	122	6	59.99	127	6	59.71	129	10
Arkansas	127.47	97	30	47.20	100	31	26.70	58	44
California	150.27	114	14	52.50	111	16	62.58	135	5
Colorado	156.88	119	8	59.95	127	7	58.47	126	11
Connecticut	110.77	84	47	37.60	80	48	48.21	104	22
Delaware	132.43	101	26	49.57	105	21	19.41	42	50
District of Columbia .	100.57	77	51	31.96	68	51	29.64	64	38
Florida	139.42	106	25	47.18	100	32	41.56	90	30
Georgia	127.47	97	30	47.04	100	33	28.94	62	39
Hawaii	161.33	123	5	44.63	95	38	27.98	60	41
Idaho	149.46	114	17	48.48	103	25	47.42	102	23
Illinois	107.94	82	49	37.86	80	47	46.15	100	24
Indiana	124.62	95	37	50.49	107	18	49.32	106	21
Iowa	144.24	110	20	53.04	112	14	60.60	131	8
Kansas	140.39	107	24	45.78	97	35	56.19	121	15
Kentucky	122.59	93	38	41.33	88	43	25.38	55	47
Louisiana	163.91	125	4	52.74	112	15	25.87	56	46
Maine	129.57	99	29	37.54	80	49	54.53	118	16
Maryland	119.21	91	41	47.31	100	29	41.23	89	31
Massachusetts	126.45	96	34	36.94	78	50	62.42	135	6
Michigan	129.94	99	27	47.39	101	28	45.20	97	26
Minnesota	157.49	120	7	54.60	116	11	62.24	134	7
Mississippi	153.48	117	10	50.02	106	20	31.55	68	37
Missouri	112.65	86	45	42.45	90	41	36.38	78	32
Montana	152.72	116	11	55.58	118	10	66.54	144	3
Nebraska	121.97	93	40	44.65	95	37	67.41	145	2
Nevada	141.23	107	23	53.77	114	12	43.42	94	28
New Hampshire	114.24	87	43	39.98	85	46	60.31	130	9
New Jersey	107.75	82	50	40.37	86	44	58.45	126	12
New Mexico	174.69	133	1	72.31	153	1	27.70	60	42
New York	148.51	113	19	46.96	100	34	51.32	111	18
North Carolina	127.30	97	33	48.18	102	27	26.81	58	43
North Dakota	170.68	130	3	57.81	123	8	56.69	122	13
Ohio	108.57	83	48	43.69	93	40	44.72	96	27
Oklahoma	141.54	108	21	50.23	107	19	34.09	74	34
Oregon	142.14	108	22	56.73	120	9	51.77	112	17
Pennsylvania	113.26	86	44	45.35	96	36	31.95	69	35
Rhode Island	116.96	89	42	40.15	85	45	45.64	98	25
South Carolina	125.07	95	36	48.66	103	23	21.74	47	49
South Dakota	154.56	118	9	60.58	128	5	68.92	149	1
Tennessee	122.23	93	39	43.97	93	39	28.63	62	40
Texas	125.26	95	35	50.54	107	17	43.41	94	29
Utah	151.58	115	12	71.47	152	2	50.41	109	19
Vermont	149.68	114	15	42.05	89	42	50.27	108	20
Virginia	112.58	86	46	48.50	103	24	31.82	69	36
Washington	151.11	115	13	48.34	103	26	35.97	78	33
West Virginia	127.45	97	32	49.18	104	22	26.64	57	45
Wisconsin	149.62	114	16	53.43	113	13	56.39	122	14
Wyoming	173.81	132	2	67.19	143	3	66.20	143	4

Source:
U.S. Department of Commerce, Bureau of the Census. Governmental Finances in 1965-66. Series GF-No. 13. Washington, D.C.: Government Printing Office, August 1967. p. 50.

a/ Effort relative computed by dividing a state's revenue or expenditures per $1,000 of income by the national average.

Tax credits to help ease the burden of property taxes have also been advocated by the ACIR. The ACIR pointed out that even if all property assessments were equalized at full value, the collection of the property tax would still be a hardship for low-income property owners. Retirement or disability, for example, often drops income to the point where the property tax may take a disproportionate share of income. Consequently, the Commission applauded the efforts to give property tax relief to these groups, and suggested the allowance of tax credits as the most effective tax relief mechanism. In the following paragraphs, the Commission advocates these programs:

> The most notable attempt to come to the aid of property owners deemed to be carrying excessive tax burden in relation to income can be found in Wisconsin's 1964 tax credit plan that rebates to low income elderly persons--both homeowners and renters--that part of their property tax payment that is in excess of 5 percent of household income. Because this tax relief program is financed from State funds and administered by the State Tax Department it neither erodes the local tax base nor interferes in any way with the local assessment process.
>
> The reduction of tax disparities between high and low income communities within metropolitan areas can be cited as a beneficial side effect of the Wisconsin plan. Because the poor tend to cluster together, the mailman will deliver most of the property tax refund checks to households in the low income communities. Thus, the granting of tax relief to the low income

TABLE 16.--STATE TAX CREDITS AND CASH REBATES FOR SALES AND PROPERTY TAXES

State	Year adopted	Type of credit allowed	Amount of credit or cash rebate
1	2	3	4
Colorado	1965	For sales taxes paid on food	$7 for each personal exemption[a/]
Hawaii	1965	For consumer taxes paid	Varies according to income from $20 per exemption (for income of less than $1,000) to $1 per exemption (for income between $5,000 and $6,999).[b/]
Indiana	1963	For sales taxes paid on food	$8 for each personal exemption[a/]
Iowa	1967	For sales taxes paid	Varies according to income from $12 per exemption (for taxpayers having taxable income under $1,000) to $0 where income exceeds $7,000.
Massachusetts	1966	For consumer taxes paid	$4 each for taxpayer and spouse and $8 for each qualified dependent.[c/]
Minnesota	1967	Two types:[d/] 1. elderly citizen homestead relief, and 2. tax relief for elderly citizen renters	1. Varies according to income from 75% to 10% of property tax or equivalent rent paid not in excess of $300 2. 3.75% of total rent paid, not to exceed $45.
Nebraska	1967	For sales taxes paid on food	$7 for each personal exemption[a/]
Wisconsin	1963	For elderly citizen homestead relief	Varies according to income and amount of property tax or rent.

Source:
Advisory Commission on Intergovernmental Relations. State and Local Taxes: Significant Features 1968. Commission Report M-37. Washington, D.C.: Government Printing Office, January 1968. p. 47-48.

a/ Exclusive of age or blindness.

b/ The credits are based on "modified adjusted gross income" which is defined as regular taxable income plus exempt income such as security benefits, life insurance proceeds, etc.

c/ Credits are allowed only if total taxable income (of taxpayer and spouse) does not exceed $5,000 for the taxable year.

d/ The elderly taxpayer may choose which of the two types of relief he desires to claim on his income tax.

elderly moves in the "right" equalization direction from both the inter-jurisdictional and inter-personal standpoints. Moreover, the tax credit can be viewed as the most efficient tax relief mechanism because it can be so designed to maximize the amount of aid extended to low income homeowners and renters while minimizing loss of revenue.

In a number of States, homestead exemption, a durable by-product of the 1900's depression, offers some protection from undue property tax burdens on low-income occupants of dwellings and farms. This method bestows property tax relief to all homeowners, however, not just those with low incomes, and misses completely the low income families in rented properties.9/

Shannon similarly suggested that, in addition to reducing the inequalities of property tax assessment, the states should adopt what he refers to as the "circuit breaker" procedure. He states:

> To protect low income homeowners and renters from property tax overload situations, the state should install the "circuit breaker" procedure for coming to the aid of those taxpayers deemed to be carrying excessive property tax burdens in relation to their household income. Wisconsin in 1964 and more recently Minnesota have enacted legislation that authorizes the state to rebate to elderly homeowners and renters that part of the property tax deemed to be excessive--that in excess of five percent of total household income. For a cost of $5 million (less than 1% of the property tax yield) the state of Wisconsin was able to transform this highly regressive property tax into a proportional levy for elderly homeowners and renters. This protective approach rests on the proposition that an affluent society should not force low income households through the property tax wringer in order to finance its public services.10/

The number of states adopting provisions for either personal income tax credits or cash refunds increased to eight in 1967. (Table 16) Nebraska, Iowa, and Minnesota followed the previous example set by Colorado, Hawaii, Indiana, Massachusetts, and Wisconsin by enacting tax credit legislation.

As part of its comprehensive tax program which included the passage of both new sales and income taxes, Nebraska provided for an income tax credit of $7 per exemption; by so doing, the state hoped to ease the burden of the sales tax on food. Iowa provided declining income tax credits for sales taxes paid based on income and the number of personal exemptions; the credits are allowed for residents whose taxable income is less than $7,000. At the same time, Iowa increased from $7.50 to $10 the tax credits previously allowed for dependents. The Minnesota legislation, similar to that first passed by Wisconsin in 1963, provided property tax relief to elderly citizens; persons 65 and over will be allowed a limited tax credit (or refund) against their state income taxes for property taxes paid or rent constituting property taxes. Nebraska's 1967 legislation closely followed the example set by Indiana in 1963 when the latter became the first state to include the tax credit allowances in its combined sales-income tax package. Indiana allowed an income tax credit of $8 per exemption for sales taxes paid on food. Colorado enacted similar income tax credit legislation in 1965, allowing $7 per exemption for sales taxes paid on food. In 1966, Massachusetts included income tax credits for consumer taxes paid in its new sales tax legislation; the credit allowed was $4 per taxpayer and spouse and $8 per dependent for consumer taxes paid. Like that of Minnesota, Wisconsin's income tax credit allowed elderly citizens varies in amount and is based on the amount of property tax or rent constituting property tax.

9/ Advisory Commission on Intergovernmental Relations, op. cit., p. 9.

10/ Shannon, John., op. cit., p. 25, 27. Copyright 1968 by the National School Boards Association.

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